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TOMORROW'S
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The gentle rituals of boar hunting

World Business Newspaper FRIDAY NOVEMBER 24 1995 D8523A

Lyonnaise des Eaux clinches $1.3bn bid for UK water group

The French utility group Lyonnaise des Eaux sealed its takeover bid for Northumbrian Water, ending an eight-month courtship. The board of the north-eastern privatised UK water company yesterday accepted the group's £823m ($1.3bn) offer. Lyonnaise will merge Northumbrian's operations with the neighbouring North East Water to become the UK's fifth largest water supplier. Page 19; Lex, Page 18

Crédit Lyonnais under pressure: State-owned French bank Crédit Lyonnais is set to come under pressure to sell off a higher than expected proportion of assets in exchange for the European Commission's approval of its rescue plan. Page 18 and Lex

UK power sector in turmoil: The UK government threw the electricity sector into turmoil by referring bids by generating companies National Power and PowerGen for regional power groups Southern Electric and Midlands Electricity respectively to the Monopolies and Mergers Commission. Page 13; Lex, Page 18

Egypt cracks down on fundamentalists:

Egypt's president Hosni Mubarak (left) moved decisively against the country's oldest and most popular Islamist organisation, the Moslem Brotherhood, after years of turning a blind eye to many of its activities. A military court sentenced 54 men to between three and five years in prison after a controversial conspiracy trial against 81 members of the movement. At the same time, security forces closed the group's headquarters in central Cairo. Page 8

General Motors, the US carmaker, and the Polish government have begun formal talks on GM proposals to build an integrated car manufacturing plant in Poland with an investment of up to DM550m ($398m) Page 6

Poll backing for European single currency: Fifty-three per cent of Europeans questioned expect a single currency by 2000 and most would be happy if it were called the Ecu, according to a poll by the European Commission. Editorial Comment, Page 17

S African bus crash kills seven tourists: Seven Swiss tourists were killed when a tour bus overturned on a wet road near Riversdale, 250km east of Cape Town.

China renews pressure on WTO entry: The time was ripe for China to join the World Trade Organisation after its recent announcement of substantial tariff cuts, the country's foreign ministry said. Page 6

German jailed for smuggling plutonium: A court sentenced German businessman Adolf Jaekle to 5½ years in prison for smuggling weapons grade plutonium into the country.

Bremer Vulkan, Germany's largest shipbuilding group, said losses this year would reach up to DM250m ($179.8m) as bankers and officials from Bremen city held crisis talks to discuss the company's finances. Page 19

Hungarian minister offers to quit: Hungary's finance minister Lajos Bokros offered to resign in protest against a constitutional court ruling which, he said, could jeopardise an economic austerity package. Page 3

ING profits rise 15%: Dutch financial services group ING, which bought UK merchant bank Barings after its collapse in February, reported net profits up 15 per cent to Fl 1.88bn ($1bn) in the first nine months of 1995. Page 20

Chernobyl health cost put at $200m: The long-term monitoring of the health of victims of the Chernobyl nuclear disaster in Ukraine nearly 10 years ago could cost $200m, according to an expert from the World Health Organisation. Page 2

Jaffna 'cut off' by Sri Lankan army: The Sri Lankan army said it had cut off the rebel stronghold of Jaffna in spite of resistance from Tamil Tiger guerrillas holding the town. Page 4

John Fairfax, the Australian newspaper publisher, warned shareholders it was looking at a "modestly lower profit" in the 1995-96 financial year, compared with the previous year. Page 22

Eurostar trains disrupted by strike: Eurostar trains from Brussels to London were badly disrupted in a strike by Belgian rail workers. More disruption for the high-speed trains which link London to Paris and Brussels through the Channel tunnel was forecast for today. Strikes set to grip France today, Page 3

Burial chamber hit by Mideast earthquake: The earthquake which hit the Middle East on Wednesday cracked the ceiling of Pharaoh Chephren's burial chamber inside one of the Great Pyramids of Giza in Egypt.

■ STOCK MARKET INDICES		
FT-SE 100:	3,602.5	(-29.9)
Yield	3.97	
FT-SE Eurotrack 100	1,444.17	(+2.72)
FT-SE-A All-Share	1,764.38	(-0.7%)
Nikkei	closed	

■ LONDON MONEY		
3-mo Interbank	6⅝%	(6 11/16%)
Liffe long gilt future:	Dec109⅛	(Dec108 13/32)

■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$16.745	(16.82)

■ GOLD		
London	$382.25	(384.95)

■ STERLING		
London:		
$	1.5629	(1.5613)
DM	2.2083	(2.1991)
FFr	7.6098	(7.5866)
SFr	1.7809	(1.7745)
Y	157.309	(157.738)
£ Index	83.1	(82.8)
Tokyo closed		

The New York markets were closed yesterday

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000		
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00		

Ex-KGB man winning the battle for Yeltsin's ear

Lost art of the Kremlinologist revived at president's bedside

By John Thornhill in Moscow

There was a time when Kremlinologists would study who stood next to whom on Lenin's Mausoleum to understand which politicians were most favoured in the Soviet Union.

A variant of the same game is again being played in Moscow – only this time it concerns who gains access to President Boris Yeltsin in hospital and how long their meetings last.

Komsomolskaya Pravda, a newspaper which shows little sympathy for the president's plight, yesterday ran a front-page article listing the comings and goings at ward one of the central clinical hospital, where Mr Yeltsin has been recuperating since his heart attack on October 26.

The newspaper suggests there is no doubt who is the most influential of his entourage. That award goes to General Alexander Korzhakov, the former KGB officer whose official title is head of Mr Yeltsin's bodyguard but whose remit appears to spread far wider. General Korzhakov, who is often depicted in the press as a modern Rasputin, has seen Mr Yeltsin even more frequently than the president's wife, Naina.

Russian political observers were no less surprised by the number two on the list: Mr Victor Ilyushin, the assiduous head of the presidential apparatus, who acts as Mr Yeltsin's gatekeeper and transmits his thoughts into countless presidential decrees. He meets the president every morning to discuss his agenda.

Mr Victor Chernomyrdin, the prime minister who would assume presidential powers should Mr Yeltsin be incapacitated, had to wait eight days before gaining access to the hospital, suggesting to Komsomolskaya Pravda relations are cool.

Mr Oleg Soskovets, first deputy prime minister, still has the president's ear and has had several lengthy meetings with Mr Yeltsin. In contrast, Mr Anatoly Chubais, the "second" first deputy prime minister and standard bearer of economic reforms, had to wait until November 17 before being granted an audience.

That, observers fear, signifies hardline policies favoured by Mr Soskovets are in the ascendant over the reformist line pushed by Mr Chubais. But the government's liberal wing drew comfort that Mr Chubais's meeting, scheduled to last 30 minutes, turned into a 50-minute chat.

There is, of course, no guarantee that the length of meeting equates to political favour. On the contrary, it could imply Mr Yeltsin has decided to rant at his luckless visitor. For instance, General Pavel Grachev, the unpopular defence minister, had a 90-minute meeting with the president. But that was quickly followed by a wave of speculation in the newspapers that Gen Grachev was about to be sacked.

Overhaul of farm policy urged before EU expands

By Caroline Southey in Brussels

Enlargement of the European Union will not be possible without an overhaul of the Common Agricultural Policy, including cuts in price support payments to farmers, Mr Franz Fischler, EU agriculture commissioner, said.

Mr Fischler pushes for CAP reform in a draft report on the impact of extending EU membership to 10 central and eastern European countries. The agriculture paper, one of two Commission documents on enlargement due out next week, is to be presented to the EU heads of state summit in Madrid next month.

Reform of the CAP has emerged as the most explosive issue facing the EU ahead of enlargement. But Mr Fischler links the need for reform to issues other than accession, arguing that the EU faces food mountains among the present membership if the CAP is left unchanged.

"Trying to maintain the status quo, even after 2000, would not appear to be a good policy choice, although it might be a feasible option for a limited number of years," the commissioner argues. Reforming CAP after enlargement will also prove "difficult and costly" since farmers in new member states would have to be compensated.

The report warns that EU agriculture production will grow in key sectors, pointing out that "there is a risk that stocks could pile up again towards the end of the decade as possibilities to export with subsidies diminish" under a liberalised world trade regime.

"In some sectors internal demand may even decrease and growing surpluses could well lead again to major market imbalances in the EU." Surpluses, have been dramatically reduced since CAP reforms were introduced in 1992.

The report also outlines changes necessary in the central European countries (CECs) ahead of accession, particularly in land reform, rural credit systems and developing the marketing and food processing sectors.

But earlier forecasts of massive additional costs due to enlargement are dismissed. Pointing out that producer prices in the CECs are lower than in the EU, the report argues enlargement will not lead to big price cuts, which would mean there was "no economic reason for compensation" of those farmers.

Mr Fischler outlines three possibilities for the future of the CAP – introducing radical reform, maintaining the status quo, and extending the reforms negotiated in 1992 which shifted farm support away from high guaranteed prices towards direct payments to farmers.

He opts for continuing reforms, arguing that the reduced reliance

Continued on Page 18
No farm reform – no EU enlargement, Page 2

Former Barings trader Nick Leeson (third from left) arrives in Singapore from Frankfurt to face trial on fraud and forgery charges related to the collapse of the British merchant bank Report, Page 18 *Reuter*

Break-up of AEG planned, says union

By Wolfgang Münchau in Frankfurt

Daimler-Benz is considering dismantling AEG, its lossmaking electronics subsidiary and one of Germany's oldest industrial companies, according to an internal document obtained by AEG's works council.

The break-up of AEG – which is expected to lose more than DM1bn ($700m) this year – would take place on January 1. It would involve factory closures, sales to third parties, and a reshuffle of existing operations within the Daimler-Benz group.

AEG workers' representatives say about 10,000 staff, 20 per cent of the workforce, could lose their jobs.

The degree of job losses would exceed those at Daimler-Benz Aerospace, which this week confirmed plans to dismiss almost 9,000 staff in a restructuring programme. The AEG figure includes job losses that workers' representatives expect to occur in operations sold to third parties.

Mr Peter Sackenheim, head of AEG's works council, said internal preparations for the dismemberment of AEG were virtually complete. He said the decision would be formally ratified on March 6 1996 at an extraordinary meeting of shareholders. Daimler-Benz is the majority shareholder in AEG.

The company yesterday confirmed that an internal working

Continued on Page 18

Vote clears way for Spanish probe into 'dirty war' claims

By Tom Burns in Madrid

Spain's Congress voted yesterday to lift parliamentary immunity protecting Mr José Barrionuevo, a former interior minister.

It thus cleared the path for a supreme court investigation into allegations of government involvement in covert counter-terrorist operations against Basque exiles in France in the 1980s.

The vote in the chamber, in which the Socialist government is in a minority, could lead to similar legal moves against Mr Felipe González, the prime minister, Mr Narcis Serra, former deputy prime minister, and Mr José María Benegas, a senior Socialist in the Basque country.

All three, who are likewise protected by parliamentary privileges as members of Congress, were named with Mr Barrionuevo in the inquiry into the so-called Anti-terrorist Liberation Groups (Gal). These claimed 27 victims in a hit-and-run campaign against members of the Basque separatist organisation Eta between 1983 and 1986.

Several former policemen, together with senior members of the anti-terrorist units of the security services and of the interior ministry, have already been charged in connection with the Gal and the testimony of some of these defendants led to the probe extending up the governing hierarchy.

The supreme court, which alone has powers to question legislators once parliament lifts their immunity, is considering allegations that the government and top members of the Socialist party were aware of Gal's activities and, in certain cases, backed the "dirty war" against Eta.

Mr Barrionuevo, who became interior minister in 1982 when Mr González won power, was appointed transport and communications minister in 1988 when legal proceedings commenced against Gal members. He will be questioned in connection with charges of kidnapping, misuse of public funds and association with an armed band.

Mr González and his parliamentary colleagues included in the Gal probe have strongly and repeatedly denied any connection with Gal and Mr Barrionuevo said yesterday he welcomed the opportunity to clear his name before the supreme court.

In the vote – taken in a free and secret ballot in plenary session – 204 were in favour, 122 were against and 10 abstained. The decision brings the Gal affair, which dominated domestic news earlier this year, back into the limelight at a time when Mr González is preparing to dissolve parliament and call elections early next year.

Iberia, the Spanish flag carrier, said it had to cancel 259 out of a total of 438 scheduled flights yesterday because of strike action by pilots.

The stoppage follows a breakdown in talks on Tuesday between the pilots' union Sepla and management. European and domestic flights were particularly affected. Further stoppages are planned for today and November 28-29, in protest at the airline's restructuring plans, the union said.

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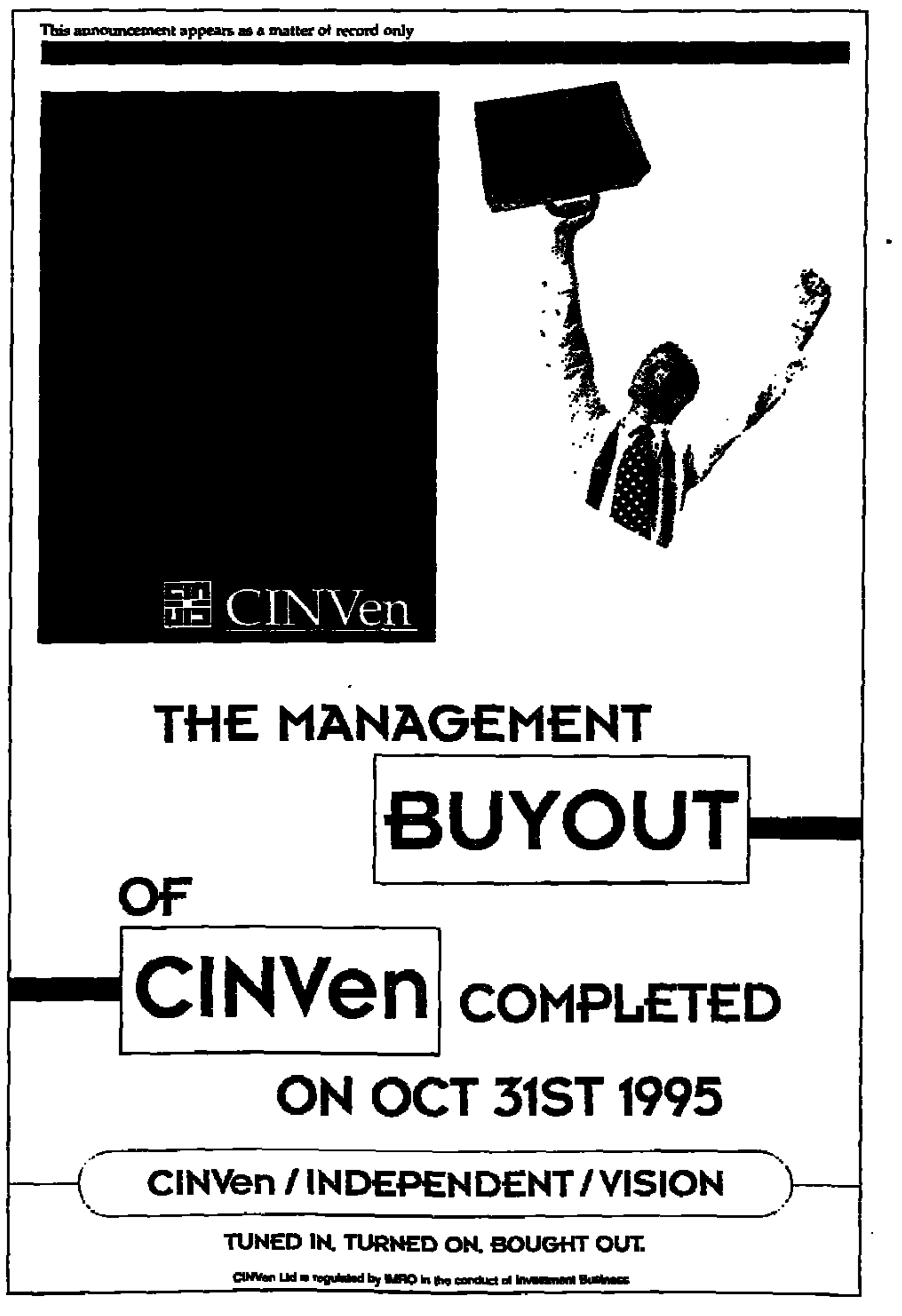


LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO

EU criticised over new refugee policy

By Emma Tucker in Brussels

Human rights organisations yesterday slammed the adoption by European Union home affairs ministers of a new definition for refugees, which they say will endanger the lives of persecuted peoples seeking safety in the EU.

Meeting in Brussels, the ministers signed a text which sets out a common definition for refugees which campaigners described as a watering down of the 1951 Geneva Convention in which refugee rights are currently enshrined.

"The new EU agreement on refugee policy continues the trend of trying to define refugees out of existence," said Mr Philip Rudge, general secretary of the European Council on Refugees and Exiles.

The definition was criticised for barring a number of key groups from the right to seek refugee status, including raped women and people persecuted by non-state organisations, such as rebel groups or opposition parties. It also states that escape from civil war is no longer a sufficient reason to claiming refugee status.

"In our view this is another step towards a more restrictive interpretation of some elements of the 1951 convention," said a spokesman for the United Nations High Commissioner for Refugees. However, he welcomed some specific points of the text, including a commitment that all asylum-seekers would be examined individually and military draft evaders treated more leniently.

Although the text is politically binding, it will not affect decisions taken in the national courts. *Officials* said this would allow countries with more liberal regimes to continue to apply their laws.

For example, most member states allow refugee status for people persecuted by *non-state* organisations, unlike the new text which tends towards French law in excluding those who are not persecuted by the state.

During the meeting on justice and home affairs, Mr Michael Howard, the British home secretary, angered his colleagues by refusing to endorse a joint action on racism and xenophobia which calls upon judicial authorities to co-operate between now and mid-1997 to fight the dissemination of racist and xenophobic literature and the activities of racist groups.

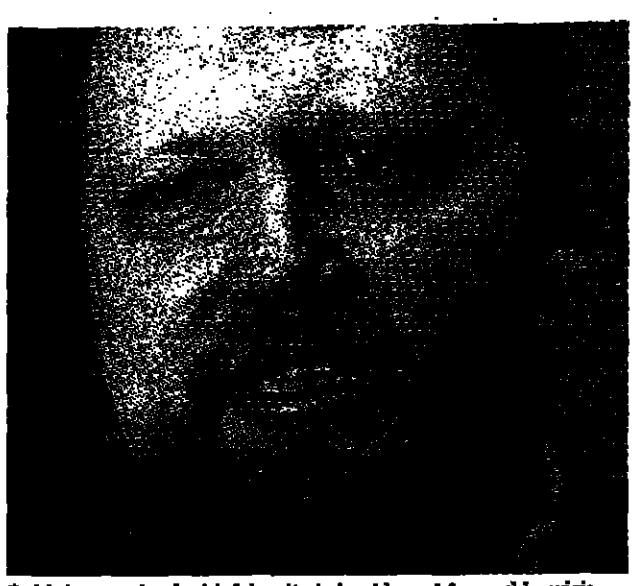
The UK also stood alone in refusing to break the two-year deadlock on Europol – Europe's plans to create a cross-border police intelligence agency, similar to the Federal Bureau of Investigation in the US. Britain does not want the European Court of Justice to *have the power to arbitrate on* disputes arising out of Europol, arguing that judicial authority must rest with member states.

EU leaders meeting in Cannes in June gave member states until the middle of next *year to resolve the problem.* Mr Howard said he had asked the other member states to show convincingly why the European Court should be given a role in Europol.

The United Nations High Commissioner for Refugees has criticised the growing use of detention for people seeking political asylum in Europe as inhumane and an abuse of fundamental human rights, writes Frances Williams in Geneva.

In a report out today, the UNHCR says asylum-seekers are being detained for weeks, months and sometimes years in closed camps, prisons or airport transit zones awaiting a decision on their fate. It singles out Britain, Austria, Belgium, Germany and Poland as making frequent or increasing use of detention. Though the UNHCR acknowledges that many would-be migrants are abusing asylum procedures it says the use of detention is "inherently undesirable".

Dubinin bounces back as Russian bank chief



Dubinin: new bank chief despite being blamed for rouble crisis

Russian politicians are famed for their short memories. For *Mr Sergei Dubinin, the new* head of Russia's central bank, that is probably just as well, writes John Thornhill in Moscow. Last October, President Boris Yeltsin publicly disgraced Mr Dubinin – sacking *him as acting finance minister* following the rouble crash on "Black Tuesday".

Mr Dubinin's demise was despite the fact he was a fierce opponent of the credit emissions that caused the currency collapse. But few predicted a swift return to the public stage. The crestfallen minister slunk off into relative – if rich – *obscurity as vice-president* of Imperial Bank and a board member of Gazprom, the gas producer. Mr Dubinin, 44, has returned to favour in an equally startling way.

As head of a nominally independent central bank, Mr Dubinin could play a pivotal role in the development of Russia's market economy. He *has the opportunity to mould* the bank into a truly credible financial institution. He also has a chance to shape a more civilised banking sector.

There has been widespread support for Mr Dubinin as a figure who commands trust within the government, respect in financial circles, support in parliament and credibility abroad. Even the opposition, normally hostile to monetarists, backed him.

Mr Dubinin's colleagues describe him as a mild and thoughtful man. His wild beard and other-worldly demeanour betray a former profession, a university lecturer. But Mr Dubinin's mild exterior is said to hide firm intellectual convictions and a stubborn determination.

There remain some sceptics, however. The doubts arise on *two scores. The first is that Mr* Dubinin is not a central banker by training. Mr Victor Gerashchenko, the former head of the central bank who still retains considerable sway, suggests Mr Dubinin does not have enough experience.

"Mr Dubinin may have difficulties within the bank initially," agrees one western economist. "But he is a man of considerable ability who will learn fast."

The other concern is that Mr *Dubinin may be too influenced* by the industrial and financial lobbies as a result of his time at Imperial Bank and Gazprom.

Mr Victor Chernomyrdin, the prime minister and former head of Gazprom, appeared to be Mr Dubinin's chief sponsor.

Mr Dubinin counters that his brief experience of *industry and commercial banking* will give him a better appreciation of how monetary policy affects the real economy. For a central bank governor, that may be a rare but useful asset.

No farm reform, no EU enlargement

By Caroline Southey in Brussels

For the first time since the European Union pledged in 1993 to embrace its central and eastern European neighbours, the European Commission has come up with the details of what it means for the most sensitive area of EU policy – agriculture.

In a 36-page document due to be delivered to the Commission next week, Mr Franz Fischler, the commissioner for agriculture, delivers an uncompromising message to both parties: without reform the project is doomed.

The Central European Countries (CECs) – Poland, Hungary, the Czech and Slovak Republics, Slovenia, Romania, Bulgaria, Lithuania, Latvia and Estonia – are told that "to ensure continuing recovery with a view to accession, major efforts will still be necessary to overcome the remaining structural handicaps and bottlenecks".

On CAP reform, Mr Fischler favours continuing along the path of the 1992 reforms which began the process of decoupling compensation payments from production. He argues that the EU's farm sector needs to improve its competitiveness. To do this it has to reduce its reliance on price support and compensate farmers where necessary by direct payments linked more and more to environmental and social considerations.

The report argues that decoupling market policy and income support would lead to the "smoothest way of integration in the field of agricultural market policy" because it would reduce the gap between the EU's internal price level and world market prices which in turn would make it easier to bridge the gap between prices in the new member states and the EU.

The EU should also develop an "integrated rural policy" which would stress rural development and agri-environmental programmes. Such a policy would strike a balance between "agricultural activity, other forms of rural development and the conservation of natural resources".

But Mr Fischler is careful not to link the need for CAP reform simply to the question of enlargement. The most forceful of these arguments is the next world trade negotiations which, the report says, can be expected to demand further reductions of support, further tariff reductions and further cuts in export subsidies.

Mr Fischler argues forcefully against radical reform, which would include scrapping price support, reduction of compensatory payments over time and the renationalisation of direct income support payments.

"Although appealing from an economist's point of view, it would imply a number of social and environmental risks, which at least in some regions, could lead to quite negative effects."

The *status quo* option is also dismissed. The most damning case against it is the danger of increased production in the EU.

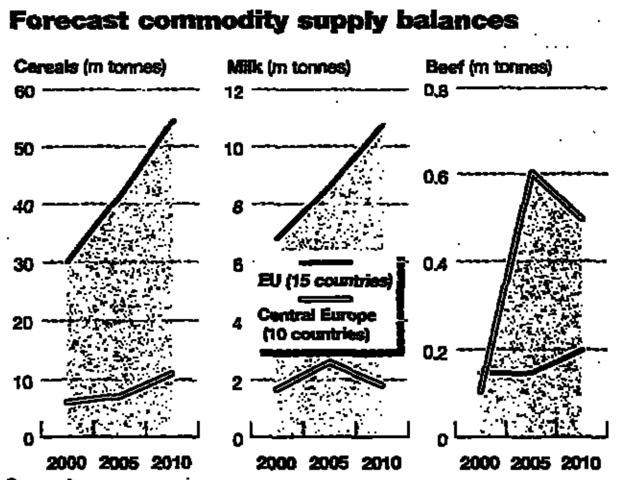
"Even without enlargement to the east, yields will continue to increase and lead to further production growth in a number of key sectors (with the exception of sugar and milk)," the report says.

The report warns that increased production and yields in the CECs, looking ahead to 2015 and 2010, would add to the growing EU cereals surplus, while the combined CEC-EU surplus could rapidly lead to an untenable accumulation of stocks in the next decade. The report calls for a structural adjustment programme, financed by the EU, to be set up before accession, as was done for Portugal's entry.

The CECs are called on to further land privatisation by allowing corporate ownership and foreign investment, completing land registration and the distribution of property titles and by strengthening rural credit.

But the real Achilles heel for the CECs is backwardness in marketing and processing, "a priority area for intervention".

Forecast commodity supply balances



Source: Agra

Bosnians who fled are in no rush to return

By Harriet Martin in Sarajevo

The Dayton agreement enshrines the right of refugees from the Bosnian war to return home.

***Two-and-half million people,* more than half of Bosnia's pre-war population, are refugees. Within Bosnia itself 1.3m are displaced. Abroad there are another 1.2m.**

But in the Serb and Croat areas, which have expelled their minority populations, the local authorities are reluctant to recreate the mixed communities they spent the war successfully destroying. Many refugees are too scared to return to such a hostile environment.

It is not expected that Moslems or Croats will return to Serb-held areas. Even within the Croat-Moslem federation, the return of displaced Croats and Moslems is fraught with difficulties.

***The Dayton talks produced a* test-case agreement on November 2 to get 600 Croat and Moslem families to return to four towns in the federation within a week. Three weeks later some Croat families have returned to Travnik. Pledges have finally been made to accept the families in the other three towns, but they have yet to return.**

The UN High Commissioner for Refugees (UNHCR), which will take the lead role in the return and repatriation of refugees, has suggested that in order to protect returning minorities to such areas, the number of UN police should be increased.

Ms Cynthia Burns, the senior protection officer for UNHCR, said: "We feel an enlarged international presence in the early stages would be a confidence-building measure."

***In addition to these prob*lems, thousands of houses have been destroyed, or severely damaged, and many of the homes vacated by fleeing populations are now occupied by other displaced people.**

***A commission is to be set up* to decide on claims of ownership and compensation for houses vacated in the war.**

The Bosnian Serb leadership yesterday reportedly caved in to pressure from Serbia's president, Mr Slobodan Milosevic, to accept the Dayton peace deal *"despite some parts which* are painful", according to the state-run news agency Tanjug, writes Paul Wood in Belgrade.

The rebel Serb decision to implement the peace accord came after President Milosevic summoned the Bosnian Serb leader, Mr Radovan Karadzic, to a secret meeting just outside Belgrade, the report said.

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Sarajevo needs over $3bn

Kevin Done reports on initial costs of rebuilding the economy

Investments of $3bn-$5bn (£1.9bn-£3.2bn) will be needed during the next three years to fund the initial rebuilding of the shattered Bosnian economy, according to preliminary estimates prepared by the World Bank.

Behind the scenes of the hectic diplomatic efforts of recent months aimed at halting the *war in Bosnia, officials of the* leading international financial institutions have also been trying to assess the magnitude of the reconstruction task.

Yesterday the World Bank and the European Commission invited industrial nations and other potential aid donors to a meeting in Brussels on December 18-19, although the conference will deal only with the most urgent issues of humanitarian aid.

A second meeting early next *year, probably in February,* would consider longer term needs, said the commission. The first two aid-pledging meetings would cover only Bosnia, but would be followed at a later date by a third session on aid to Croatia.

Brussels, which has been co-ordinating closely with the World Bank on a Europe-led Yugoslavia reconstruction package, has calculated that up to $6bn might eventually be necessary over the next three or four years.

The need for aid is clearly acute. "The problem is that whatever the World Bank *et al* are promising for this country, the reality is that there will be a delay of at least three months if not a year before there are any tangible signs of development," said one UN official in Sarajevo yesterday.

"People who have spent the last three years lugging water *up 20 flights of stairs* in their tower block need to see a change. The elevators need to start working and the water pumps need to be mended.

"Unless the donor countries are prepared to operate a fund *for quick-impact programmes* they will lose the moral initiative and the faith of the people in peace," the official said.

The ravages of war have made Bosnia Europe's poorest country

Work carried out by officials of the World Bank, the International Monetary Fund and the European Bank for Reconstruction and Development shows how the ravages of war have turned Bosnia into the poorest country in Europe.

Annual per capita income has fallen by nearly 80 per cent to only about $500 from $1,900 in 1990.

Before the war Bosnia had a fairly developed and industrialised economy. Three-and-a-half years of war have plunged it into the range of low-income countries.

Around 80 per cent of the population of the Moslem-Croat federation area is at least partly dependent on humanitarian food aid. In 1994 industrial output was about 5 per cent of the level of 1990, while electricity consumption was below 10 per cent of the 1990 level.

"Needs are vast and rehabilitation and new investments will be required across all infrastructure sectors," says the World Bank study.

It shows that about 35 per cent of Bosnia's roads and 40 *per cent of the bridges* have been damaged or destroyed. Electric power, intermittent in much of the federation area, is insufficient even for hospitals and water-pumping stations. Fuel supplies – even for ambulances – are often unavailable.

Damage to the water networks has left many communities with *no functioning* water systems. Deteriorating sewerage systems are causing untreated sewage to pollute four large rivers and may cause irreparable contamination of the groundwater basin in south-western Bosnia.

The health sector has lost many of its doctors and nurses. The number of hospital beds *has fallen* by 35 per cent and infant mortality has doubled since 1990.

There are extreme housing needs for the resettlement of displaced persons, who are believed to total around 900,000, with possibly an additional 1.2m refugees outside the country. The loss of more than 1m people is already *being felt in the lack of skilled* manpower.

"There is no doubt that compared to the damage and the ensuing needs, the resources that can be mobilised domestically and internationally in the short- to medium-term will be insufficient for the huge needs," the World Bank report says starkly.

There *have been suggestions* that the $5bn-$6bn estimated by the European Commission to be necessary for the aid effort in the next three to four years should be split evenly between the European Union, the US and a grouping of Japan and Islamic states.

Mr Carl Bildt, the European Union mediator, said on Wednesday:

"I would foresee that the European Union [will contribute] roughly a third. We would expect the Americans to contribute a third and we would expect other parts of the international community to contribute a third."

The Commission said yester*day that the split had not* been agreed, however, and would be decided by the pledging conferences.

The US, which is facing harsh budget cutbacks, has already made clear that *Europe, which has pushed to* lead the reconstruction effort, should also provide the largest part of the money.

EUROPEAN NEWS DIGEST

New warrant in Milan probes

Milan magistrates yesterday issued a warrant *for the arrest of* a senior executive of Fininvest, the business empire controlled by former premier Mr Silvio Berlusconi, in connection with an alleged L10bn *($6.3m) in illicit* funding of Italy's now defunct Socialist party. It is the first time magistrates have alleged that Fininvest funds have been channelled via off-shore companies to a political party.

The Fininvest executive was named as Mr Giorgio Vanone, head of financial affairs for the group's foreign subsidiaries. Milan magistrates identified Mr Bettino Craxi, the former Socialist leader, as the beneficiary *of* the operation, and an international arrest warrant was issued yesterday against him. It is the third warrant Milan magistrates have issued for *corruption* related offences against Mr Craxi, who has been living in self-imposed exile in Tunisia since May 1994. *Robert Graham, Rome*

Germany to penalise trucks

Germany will triple the fees it charges trucks using its motorways by about the year 2000 in an effort to move more freight on to railways and inland waterways, *the transport* ministry said yesterday. The fees would vary according to traffic density on different routes, especially transit routes, and would be booked electronically. Under a system introduced this year, trucks pay an annual fee of up to DM2,500 ($1,785) to use motorways which raises about DM800m a year.

About 2m trucks, 30 *per cent of them foreign,* cross German motorways each year. The Roland Berger consultancy, which prepared a report for the ministry, recommended that motorways be financed from fees and not taxes so that foreign users could also be charged. The *ministry said it would* examine proposals for the private financing and management of bridges, tunnels and motorway sections. However, it ruled *out* wholesale privatisation. *Michael Lindemann, Bonn*

EBRD wants extra capital

The European Bank for Reconstruction *and Development has* committed more than half its original capital of Ecu10bn ($13.3bn), and is seeking an injection of up to Ecu10bn in extra funds from its 57 shareholder governments and institutions. The bank needs the capital increase to maintain its current level of new loan and equity commitments, running at around Ecu2bn a year. "In a couple of years, if we continue at the same pace, we will come very *close to the limits of our capital* resources," said Mr Bart le Blanc, vice president for finance.

The EBRD, which was established in 1991 to help the transition process in central and eastern Europe, has signed 258 projects worth more than Ecu5bn in 25 countries. Its operating profit before provisions jumped to Ecu42.7m in the first nine months of the year, from Ecu16.7m in the same period a year ago, the bank said.

■ The EBRD is to provide DM30m in loan finance to Istrobanka, a Slovak bank, to allow it to expand its long-term lending to private sector clients in the wood, rubber, glass, paper and environment industries. *Kevin Done, East Europe Correspondent, and Vincent Boland, Prague*

German growth forecast

The German economy will only resume growing next year after the negative effects of the strong D-Mark and this year's high wage settlements have worn off, the economics ministry said yesterday. Gross domestic product was "virtually unchanged" *on a real, seasonally adjusted basis* between the second and third quarters, it said. The official figures will be released on December 7.

The ministry's latest monthly review complains that German companies have lost market share abroad and that GDP has also been depressed by weakness in the building industry. With 3.5m unemployed, it said there was no sign of *an improvement in the "extremely unsatisfactory" situation* on the labour market. Weak demand and high labour costs were restricting investment and encouraging companies to shift output to cheaper sites abroad. The ministry appeared somewhat gloomier about Germany's prospects than Mr Theo Waigel, the finance minister, who said on Wednesday, that the economic slowdown provided a platform for a more dynamic *economy next year.* *Peter Norman, Bonn*

Chernobyl cost counted

The long-term monitoring of the health of victims of the Chernobyl nuclear disaster nearly 10 years ago could cost $200m, according to an expert from the World Health Organisation. Dr Wilfred Kreisel, WHO's *head of* environmental health, yesterday gave a personal estimate of the funds needed for the detailed monitoring of about 1m people in Russia, Ukraine and Belarus over the next 15-20 years.

Dr Kreisel, speaking at the end of the biggest-ever scientific conference on the health effects of the Chernobyl accident, said international research collaboration on health *monitoring* was not working as well as it should, despite the WHO's co-ordination efforts. He appealed for future work to be funnelled through a WHO-sponsored programme set up three years ago with the affected governments to help Chernobyl victims. *Frances Williams, Geneva*

Liberals draw up IGC menu

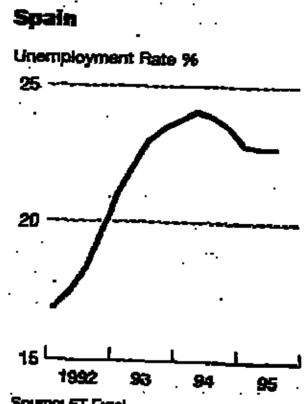
Leaders of Europe's Liberal parties yesterday agreed a detailed list of objectives for the forthcoming European *intergovernmental conference, including steps to make the EU* more relevant to the average person. The parties, which claim to represent 26m voters, called on member states to agree a common foreign and security policy in which action could be *agreed by majority voting.* They also made a strong commitment to enlargement.

A 30-point resolution adopted by the meeting included a declaration that the EU's "policies and decision making structures must be more transparent and comprehensible to the general public". *Peter Norman*

ECONOMIC WATCH

Spanish jobless total steady

Spain



Source: FT Extel

The number of unemployed in Spain stabilised in the third quarter at 3.5m, representing 22.7 per cent of the active population, in spite of a spurt in employment, according to a survey by the national statistics institute. The economy ministry said the survey pointed to economic growth and net job creation. However, an increase of women and young people entering the labour market had lifted the jobless total quarter-on-quarter by 32,240. *It* said that quarter-on-quarter the number of actively employed had increased by 109,830 and by 349,800 over the past 12 months, the highest in the past five years. *Tom Burns, Madrid*

■ German new car registrations fell 1.7 per cent in October from September but were up 8.4 per cent from October 1994, the federal motor office said. *Reuter, Flensburg*

■ Sweden's current account for September showed a surplus of SKr3.1bn ($473m) for a year-on-year surplus of SKr27.9bn, central bank figures showed. *Reuter, Stockholm*

■ Austria's provisional consumer prices index declined 0.3 per cent in October from September, but was up 1.9 per cent year-on-year, the central statistics bureau said. *AFX, Vienna*

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Hungarian minister offers to step down over court ruling

By Virginia Marsh in Budapest

Hungary's finance minister, Mr Lajos Bokros, offered to resign yesterday in protest against a constitutional court ruling which, he said, could jeopardise an economic austerity package introduced last March.

The resignation offer, which came on the eve of a politically charged conference of the governing Socialist party, was refused by Mr Gyula Horn, the prime minister, who faces strong criticism of the reform package at the conference.

The so-called Bokros package, which has led to a remarkable turnaround in the Hungarian economy, included a 20 per cent devaluation of the forint over the first half of this year and an 8 per cent import surcharge. It also raised social security charges and taxes while cutting subsidies and government spending.

The package is widely credited with restoring international confidence in the government's market-led reforms. Exports and investment have risen sharply to compensate for the steep decline in domestic demand resulting from the package, which imposed an 11 per cent cut in real incomes this year to be followed by another 3-4 per cent drop in 1996.

The legality of several of the specific measures was challenged by the constitutional court, forcing the government to redraft several clauses. In its latest intervention earlier this week, the court ruled that a proposed increase in housing loan rates from 15 to 25 per cent was also unconstitutional.

Speaking on national television last night, Mr Bokros said the court had now rejected a large part of the package, limiting his room for manoeuvre and leaving the government with little choice but to maintain high taxes and pursue inflationary policies. "This I am not prepared to do."

He accused the court of exceeding its authority and called on the two governing parties to find a legal solution which would allow the coalition to retain control over economic policy.

Government officials said Mr Horn had immediately rejected the resignation, adding that there were no differences between him and Mr Bokros on key policy issues.

Mr Bokros, for his part, thanked the prime minister for rejecting his resignation, leaving the way open for a compromise. However, previous attempts by the government to discuss its plans with the constitutional court have failed to produce results.

Party belief grows that Papandreou must quit

By Kerin Hope in Athens

Mr Andreas Papandreou is starting to recover from pneumonia, but senior members of his Socialist party doubt he can continue as Greece's prime minister.

A spokesman for the Onassis Cardiac Hospital, where the 76-year-old premier is in intensive care, said yesterday he was "making good progress and the infection is retreating, but the next 24 hours will be decisive".

The announcement cheered party leaders who have been thronging the corridors outside the intensive care unit, together with Orthodox priests bearing icons and other holy relics intended to assist Mr Papandreou's recovery. Only his wife, Dimitra, is allowed to stay at his bedside.

However, several senior Socialists have voiced doubt that the prime minister, who has chronic heart and stomach problems, will be able to resume his duties.

But after Mr Papandreou was rushed to hospital three days ago, an unofficial inner cabinet has quietly taken control of the government.

The group includes Mr Akis Tsochatzopoulos, public administration minister and a senior cabinet member, who is standing in for the prime minister, Mr Antonis Liavnis, minister without portfolio and the Mr Papandreou's closest political aide; Mr Yannos Papantoniou, economy minister; and Mr Alex Papadopoulos, finance minister.

Mr Tsochatzopoulos, leader of a populist faction in the governing Panhellenic Socialist Movement (Pasok), is the only one with ambitions to succeed Mr Papandreou.

It is not yet clear whether this inner cabinet will be able to force through decisions on economic policy while the prime minister is out of action.

Mr Papandreou has kept a tight grip on power, in line with the Greek practice of making the prime minister personally responsible for all important decisions, including approvals of large public works contracts and flotations of public sector enterprises.

Economic growth next year will depend to a large extent on the launching of new infrastructure projects which would be eligible for grants from the European Union structural funds.

Mr Papandreou had promised that contracts for projects worth $4bn would be ratified before December.

The Socialists have set February as the date for floating 8 per cent of the state telecoms company, OTE, on the Athens stock exchange. The listing, postponed twice in the past two years, was revived in response to pressure from Brussels. But privatisation is still a controversial issue for Pasok and the offering is unlikely to take place on time unless Mr Papandreou gives the go-ahead.

The process of choosing his successor has not yet been clarified, but the "gang of four" rebels who last month demanded that Mr Papandreou step down are poised to renew their bid for power.

Their leader, Mr Costas Simitis, former industry minister, is emerging as the leading contender to take over from Mr Papandreou. He has strong support from trade unions, who are influential in the Pasok party machine, as well as among parliamentary deputies and pro-European cabinet ministers.

The other members are Ms Vasso Papandreou, former European social affairs commissioner and one of Greece's most popular politicians; Mr Theodore Pangalos, the outspoken former European affairs minister; and Mr Paraskevas Avgerinos, who served as health minister in the 1980s.

The four have been building support in Pasok's parliamentary group, which would be responsible for electing a new prime minister.

Mr Andreas Papandreou (pictured in parliament earlier this year) is recovering from pneumonia but still seriously ill Reuter

Greeks stage pay rise protests

Greek factory workers and civil servants staged a one-day strike yesterday to press demands for real wage increases in 1996 after four years of rises that have failed to match the inflation rate, writes Kerin Hope. Pensioners demanding similar increases also participated in demonstrations in central Athens and a march to parliament.

The government wants to restrict increases for public sector workers to 5 per cent next year, to be paid in two tranches of 2.5 per cent in January and July. Containing wage rises is seen as crucial if Greece is to cut inflation from 8.3 per cent last month to 5 per cent at the end of next year, in line with targets for economic convergence with the rest of the European Union.

A wave of strikes and demonstrations is sweeping across Greece ahead of next week's budget announcements. Doctors and hospital staff said they will strike next week, while universities have closed as students stage demonstrations demanding that 15 per cent of budget spending should be earmarked for education.

Ireland votes on legalising divorce

By John Murray Brown in Dublin

Ireland goes to the polls today in a referendum to introduce civil divorce at the end of a campaign which has bitterly divided this traditionally conservative Roman Catholic country.

The government yesterday expressed a "quiet confidence" at a Yes outcome, following a final personal appeal from Mr John Bruton, the prime minister, who warned this week that "the time for Irish solutions to Irish problems is over".

Notwithstanding the personal misgivings of some deputies, the five main political parties and leading newspapers are publicly supporting the proposed amendment to the 1937 Constitution legalising remarriage.

With a solid 30 per cent of devout Catholics likely to vote No on religious grounds, the anti-divorce campaign has highlighted the social implications of the legislation, sowing uncertainties about property rights and welfare entitlements.

In a 1986 divorce referendum, lost by 2:1, only six of Ireland's 41 constituencies voted for divorce, all of them in the greater Dublin area, which accounts for a third of the country's 3.5m population.

The result could have important implications for the peace process in Northern Ireland, where Unionists will construe a defeat for the constitutional amendment as further evidence that the republic remains a priest-ridden society.

A Yes vote would be a personal reward for Mr John Bruton, who in the last week has made an impressive case for the pro-divorce campaign.

The final week of the campaign has been marked by a late intervention from Pope John Paul who, although not explicitly calling for a No vote, gave a clear lead to defend Christian marriage. The last official poll at the weekend suggested the pro-campaign's lead had slipped to just a few points with 47 per cent for, 39 per cent against, and 14 per cent undecided. Polls suggest that voters in the 35-50 age group are more likely to vote Yes, while those under 25, still "starry-eyed" about marriage, as one official put it, would vote against.

The government is holding the poll on a Friday for the first time in the Republic's history, in order to encourage a larger turnout, and allow students registered in country constituencies to return home to vote.

In 1986, the turnout was a high 60 per cent.

Unions mount challenge to government changes in welfare system

Strikes set to grip France today

By David Buchan and John Ridding in Paris

The French government's welfare changes face their first big test on the streets today as most of the country's unionised public sector holds a 24-hour protest strike. The disruption will be compounded by a national rail stoppage.

The strikes, which are already disrupting air traffic and will also prevent the appearance of any national newspapers, look set to surpass last month's one-day protest at the government's planned freeze of public pay next year. This is despite the fact that the Force Ouvrière (FO) union federation has decided to make its protest next Tuesday.

Calling for national support to pull the social security system out of the red, Mr Alain Juppé, the prime minister, warned last week that "if two million people were to demonstrate in the streets, my government would not survive". Mr Marc Blondel, the FO secretary general, yesterday said his union and others were taking up this "challenge".

According to CSA opinion poll yesterday, 54 per cent of French people support today's action, and 65 per cent said they would have backed a general strike.

Initially, union federations did not plan a general strike today, but rather a public sector protest aimed, in general, at the welfare reforms and, in particular, at plans to extend civil servants' pension contributions to match those required of the private sector. But against the background of growing unrest – already evident earlier this week among students who also plan protests next week – sectoral unions, most dramatically in the railways, are taking their own action.

Mr Juppé is set to approve within the next few days a plan to curb losses and debts at the SNCF rail network, estimated this year at up to FFr12bn ($2.5bn) and FFr175bn ($36bn) respectively. Unions are opposed to the productivity measures and threats of line closures expected to be contained in the plan, which will cover the period between 1996 and 2000.

The railworkers' arm of the CFDT, the biggest and generally moderate union federation, have threatened to prolong the dispute beyond today's strike. Almost no regional and Paris suburban trains and few high-speed trains are expected to run today, except the Paris-London Eurostar service which will be less affected. SNCF said it expected some disruption to continue through the weekend.

"There will be a massive action to stop cuts," said an official of the Communist-led CGT union. He said the 180,000 railworkers had already made enough sacrifices, describing the restructuring plan as a step towards the break-up and privatisation of the railways.

The government is expected to provide some debt relief to SNCF, if matched by productivity efforts by the company. "The situation is extremely serious," said Mr Bernard Pons, the transport minister. "SNCF is trapped in a spiral of deficits which threatens to engulf it."

Tony Walker reports on the effects of an end to capital equipment exemptions

China tax shift starts import rush

Mr Zhu Rongji, China's executive vice premier in charge of the economy, may not have intended it, but his recent announcement that Beijing would phase out tax exemptions for capital equipment imports by foreign invested enterprises from January 1 has set off something of a gold rush.

Foreign investors are hurrying to secure approval for project proposals by the end of the year, thus making these projects eligible for tax concessions on equipment imports. Investors are being aided in this by local authorities anxious to preserve the flow of investment.

In Shanghai, the municipal Foreign Investment Commission, which is authorised to approve projects up to the value of $30m (£19m), has been inundated with new proposals in the two weeks since Mr Zhu made his announcement at a meeting in Beijing with Chinese bank and insurance company managers.

"People are rushing to register new projects before the end of the year. They want to make sure they are eligible for continuing tax breaks on imports of capital equipment," said the representative in Shanghai of an American investment bank.

Under present rules foreign invested enterprises are not liable for tax on imported equipment.

Mr Zhu's announcement confirmed that the authorities are involved in a sweeping review of preferential tax arrangements for foreign investors. A phasing out of tax exemptions on capital equipment imports would mark the first stage of what is certain to be an extensive restructuring of the preferential tax system.

Officials say China wants to "level the playing field" for local and foreign enterprises alike, but they understand that abrupt changes of policy would risk scaring away investment.

Foreign investors enjoy significant tax advantages compared with state companies. This annoys managers of struggling state-owned enterprises. Foreign invested enterprises operating in China's special economic zones pay 15 per cent corporate tax, joint ventures outside the zones pay 30 per cent corporate tax (plus a 3 per cent local tax), while state companies pay 55 per cent.

Mr Zhu himself dealt with this issue when he said in mid-November that while preferential policies should remain "basically unchanged", China needs to comply with national treatment requirements for entry to the World Trade Organisation. This made it "impossible to avoid making the necessary re-adjustments to these policies".

It is imprecise statements like these that make foreign business nervous. Companies with plans for investment in China over the next year are being obliged to rework the numbers for their investments, and some may be discouraged.

Anne Stevenson-Yang of the US-China Business Council believes that it would be fairer and less damaging to China's own interests for a clear statement to have been made that would have indicated a time-frame for the implementation of the new policy on equipment imports.

"It would be wise to have provided, say, a year's notice," she said. "This would have allowed companies not only to formulate their plans, but it would also have provided a healthy stimulus for new investment in the meantime as companies brought forward their investment plans to secure the tax advantage."

The US-China Business Council, which represents many of America's leading companies, said in a petition to the Chinese government that "premature removal" of the equipment tax exemption would "force every foreign investor to reconsider every China investment".

"Many investments will be scaled down, and many will be cancelled," it added. "High-tech investments will be especially hard-hit, as will export-oriented manufacturers. The localisation efforts of companies in China will be made more difficult, as components manufacturers will be discouraged from investing."

This may smack of special pleading, but China's habit of abruptly changing the rules of the game is one of the main complaints of foreign business.

Foreign investors would not have drawn much comfort from remarks made by Mr Sun Zhenyu, vice minister of the ministry of foreign trade and economic co-operation (Moftec) who was quoted by the official China Daily earlier this week as saying without elaboration that "a batch of existing preferential tax breaks will be abolished".

Mr Sun's pledge that China would grant a "transitional period" to foreign invested projects that "have been approved or are under construction" will not be regarded as encouraging. The statement appeared to imply that a delay beyond January 1 would not be granted for the beginning of a phasing out of tax exemptions on equipment imports.

Strike that sums up Australia's divide

Mine dispute goes to heart of party policy differences, writes **Nikki Tait**

The ACTU's Kelty, left, and prime minister Keating, right

Federal politics hangs like a cloud over the main hearing room of the Australian Industrial Relations Commission in Sydney, where the case of striking workers at the bauxite mining operations of the CRA group in Queensland is being argued.

At face value this has been an industrial relations matter, about the right to bargain collectively and "equal pay for work of equal value".

But no one pretends that this dispute begins and ends in Weipa, in far north Queensland. A federal election is less than six months away, and the fracas has big political ramifications.

Industrial relations policy is a key campaign issue, partly because it is a subject on which Labor and the opposition coalition have clearly distinct policies, and partly because of its relevance to the "battler" vote, which Labor, trailing in the opinion polls, needs to shore up.

Quite who, in 1995, constitutes a battler is a matter of debate. In the past, the image has been of the "blue-collar" manual worker, but the tag probably now includes both white-collar workers and "small business" people. However, it is still identified as predominantly male, in the 25-49 year age-range, and on a middle to lower income.

At issue are the rights of 70-plus Weipa workers who have refused to sign CRA's individual contracts and claim to have been penalised financially as a result.

Last weekend the ACTU called for dock and coal strikes in their support and threatened to extend the action to other sectors. This only subsided when the AIRC intervened.

Superficially, a union "victory" in the Weipa case would bolster Labor's standing with this part of the electorate – demonstrating that the Australian Labor Party-Australian Council of Trade Unions nexus still protects the "working man".

Mr Bill Kelty, the ACTU's cherubic-looking secretary, has described the Weipa dispute as "the line in the sand".

On Tuesday the commission gave the Weipa workers an immediate pay rise, reducing the differential with their contract counterparts. Now it is hearing arguments – spearheaded by Mr Bob Hawke, the former Australian prime minister who was called in by ACTU to present the workers' case – for pay parities.

But the ACTU, by raising the tempo of the dispute, has also exposed how far industrial relations legislation, enacted under Labor, has already changed the labour market's dynamics.

The 1993 industrial relations reform act was a hard-won compromise between the union movement and the government of Mr Paul Keating, the prime minister, with the former agreeing to facilitate "enterprise-based bargaining" (as opposed to the traditional system of national awards) in return for having some basic safeguards, such as the right to strike, enshrined in law.

Repeatedly, AIRC members hearing the Weipa case have noted that the new regime has curtailed their powers. More simply, it has been pointed out that CRA, one of the country's largest mining companies, 49 per cent owned by Britain's RTZ, implemented its controversial individual contract policy under this Labor-devised legal framework.

The company simply offered workers more than the union-negotiated award payments if they agreed to relinquish their collective bargaining rights. CRA, which has used this tactic to switch thousands of workers on to staff contracts over the past three years, maintains that employees in collective employment arrangements are always less productive than those on individual contracts, and thus the differential is justified.

Labor has depicted CRA's behaviour as a microcosm of the policy of the opposition coalition, where collective rights and safeguards would be sacrificed in the name of industrial efficiency.

Ministers have also argued that a government led by Mr John Howard, the opposition leader, would emasculate the mediating powers of the AIRC in its efforts to further labour market liberalisation. Industrial disruption would thus escalate, says Labor.

"What this dispute has made clear, is that a Howard-led government would basically stab the commission in the stomach, it'll remove it from the process," warned Mr Keating in parliament yesterday.

How all this plays with the electorate is harder to assess. However, many Australians did seem alarmed at the resurgence of secondary industrial action.

Mr Don Argus, chairman of National Australia Bank, summed up those fears when he said that in an increasingly connected world and with a reputation to live down, Australia could not afford to be seen doing this.

Even Ms Deidre O'Connor, president of the AIRC, made sure the coalmining unions were trying to persuade members back to work before she would rule on the dispute. "I'm not going to sit here... while the economy is suffering," she commented.

As far as votes go, the question may be whether the battlers – be they blue collar workers or small business operators – think the economic gains from the Howard approach can offset the likely loss of protection.

Vietnam plan 'will revitalise banking'

By Peter Montagnon, Asia Editor, in London

Vietnam is to introduce a new payments system that will revitalise its banking sector, thereby helping spur sustained economic growth, the World Bank said.

The Bank said it will provide a $49m credit to help finance the new system which will involve the introduction of a national interbank clearing and settlement system for money transfers such as paper cheques and money payment orders.

The loan will also help finance a new system for the quick settlement of payment orders between branches of the same bank, as well as the design of customer accounting systems and financial audits to help the banks assess their capital needs.

Though Vietnam has undertaken far-reaching economic reforms to move away from central planning, the World Bank has long believed that its underdeveloped banking system remains a drag on growth.

Since legislation was passed in 1990 opening up the banking sector to new domestic and foreign institutions, the number of banks has risen to around 100, but the new entrants are mostly small private sector banks located in urban areas.

The four large state-owned commercial banks account for 87 per cent of the commercial bank assets and there is growing demand for credit from the private sector.

To meet this demand requires further development of the banking sector. The ratio of bank deposits to gross domestic product is well below that of other economies in transition, the World Bank said, and cash remains the predominant means of payment. There is four times as much cash in circulation in Vietnam as in other countries of the Association of Southeast Asian Nations (Asean).

Improving the system for payments transfers should help Vietnamese banks gather more deposits and create resources to extend credit to the country's growing private sector.

"Many people hold on to their money because the banking sector to date has simply not been equipped to handle the basic payments and services that support business transactions," says Ms Shilpa Patel, a World Bank official involved in the project.

But foreign bankers say Vietnamese banks will find it hard to attract new deposits unless they can revive public trust. This has been at a low ebb since the days of high inflation in the 1980s.

ASIA-PACIFIC NEWS DIGEST

Army tightens noose on Jaffna

The Sri Lankan army said yesterday it had isolated the rebel stronghold of Jaffna. Military spokesman Brig Sarath Munasinghe said the 2,000 Tamil Tiger guerrillas holding the town "have to jump into the sea, bite cyanide or surrender".

Sri Lankan President Mrs Chandrika Bandaranaike Kumaratunga hailed an imminent victory and said her army, fighting for Jaffna, was opposed by "ruthless terrorists" and not the island's minority Tamil community.

All citizens should celebrate victory "calmly and peacefully," Mrs Kumaratunga said in an address to the nation. "Do not in any way harass the Tamil community by word or deed," she added. She said the government wanted to negotiate a lasting political settlement to the 12-year war in which more than 50,000 people have died. Mrs Kumaratunga has ordered security forces to deal sternly with anyone trying to exploit the euphoria generated by an imminent army victory to stir up communal violence. *Reuter, Colombo*

UN food aid to North Korea

The United Nations World Food Programme will today deliver a 5,140 tonne consignment of rice to North Korea to help feed 500,000 people in the west and northwest of the country left destitute by recent floods.

The rice consignment is the first UN food aid ever sent to North Korea and is part of a relief plan comprising 30,250 tonnes of rice and 675 tonnes of vegetable oil.

Today's delivery follows UN estimates that the floods caused the loss of up to 1.5m tonnes of grain at a time when there was already evidence of child malnutrition.

Only Denmark and Finland have contributed to a WFP appeal for North Korea, forcing the organisation to use emergency funds for the shipment. *Peter Montagnon, London*

India clears PepsiCo plan

India's Foreign Investment Promotion Board has cleared a proposal from PepsiCo, the food and soft drinks conglomerate, to make new investments of Rs3bn ($86m) in its Indian operations, taking the company's total investment in India to Rs6bn.

The company has not been deterred by a recent setback when the Delhi state government cancelled its licence for an outlet of its subsidiary, KFC. The proposal requires final approval from the Finance Ministry's committee on foreign investment.

Central government officials are keen to push through foreign investment, especially in the food processing sector, before general elections next year. They are irked that the Delhi state government, led by the Bharatiya Janata party, has cancelled KFC's licence. *Shiraz Sidhva, New Delhi*

Egyptian warning mislaid

Egypt's ambassador tried to warn Pakistan a week before a suicide bombing killed 17 people, but his letter was misplaced until an hour after the attack, Pakistan's interior minister said yesterday.

Police are holding 10 suspects, including six Egyptians, in the attack that ripped apart Egypt's embassy on Sunday, said Mr Naseerullah Babar, the interior minister.

Mr Babar said that Ambassador Mohammed Noman Galal wrote to Islamabad's chief law enforcement official last week, saying Egypt was afraid "Islamist forces" would attack the embassy or hijack an Egyptian airliner.

But the letter, marked "most urgent," was misplaced and was not delivered to the official until after the blast, Mr Babar said. *AP, Islamabad*

Pakistani official assassinated

A senior government official was assassinated in Karachi yesterday. Mr Ehsan Ali Shah, a deputy director of the provincial food ministry and brother of Mr Abdullah Shah, chief minister of Sindh, of which Karachi is the capital, was ambushed by four gunmen while he was driving to his office. Mr Shah's driver and a friend travelling with him were also killed.

Unrest in Karachi has so far claimed more than 1,700 lives this year. Prime Minister Benazir Bhutto's government accuses the Mohajir Qaumi Movement, Karachi's largest ethnic political party, of being involved in most of the killings. The MQM denies the charge.

Talks between the government and the MQM which began early this summer have failed to produce an agreement.

The MQM says it is fighting for more economic and political rights for its Urdu-speaking mohajir community members. *Farhan Bokhari, Islamabad*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 24.11.95: Pool purchase price £/MWh	Final Prices for Trading on 27.10.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.07	8.96	8.96
0100	8.96	8.97	8.97
0130	27.25	8.97	8.97
0200	27.25	8.97	8.97
0230	8.85	8.95	8.98
0300	8.85	8.93	8.93
0330	9.04	8.93	8.93
0400	9.07	8.93	8.93
0430	9.04	8.92	8.92
0500	9.02	8.91	8.91
0530	9.00	8.93	8.93
0600	9.00	8.96	8.96
0630	9.07	8.97	8.97
0700	8.94	8.93	10.67
0730	21.05	16.82	17.36
0800	32.89	15.84	17.59
0830	33.81	15.84	17.59
0900	35.79	21.91	23.66
0930	43.09	30.39	32.14
1000	43.15	30.40	32.15
1030	43.15	21.92	23.67
1100	43.11	30.40	32.15
1130	41.61	30.40	32.15
1200	41.80	30.40	32.15
1230	38.04	30.39	32.14
1300	36.77	21.92	23.66
1330	33.82	21.91	23.65
1400	33.51	21.05	22.80
1430	33.50	19.36	21.11
1500	33.50	19.36	21.11
1530	33.60	19.36	21.11
1600	33.67	19.36	21.11
1630	55.54	19.37	21.12
1700	89.85	28.73	28.81
1730	110.00	46.90	49.24
1800	101.08	61.61	54.16
1830	63.93	51.09	53.27
1900	47.54	29.12	31.01
1930	44.09	26.00	27.79
2000	33.64	23.38	25.14
2030	33.50	15.86	17.60
2100	21.19	15.84	17.59
2130	20.50	15.84	17.59
2200	20.50	15.84	17.59
2230	20.31	15.87	17.11
2300	12.76	9.55	11.29
2330	9.97	9.02	9.02
2400	9.02	8.96	8.98

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.80/MWh becomes 1.880p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 9.30am and 5.15pm Monday to Friday.
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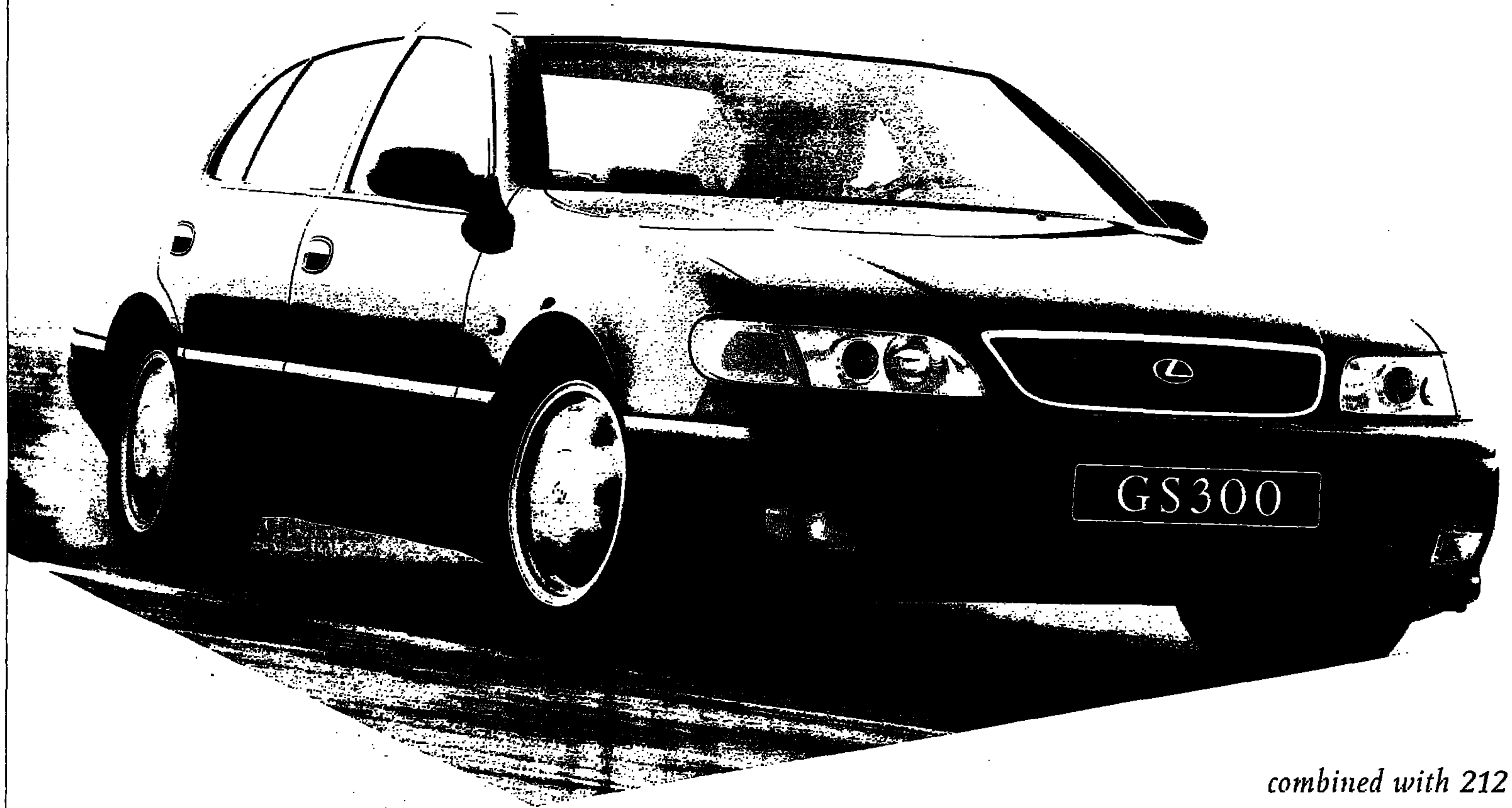

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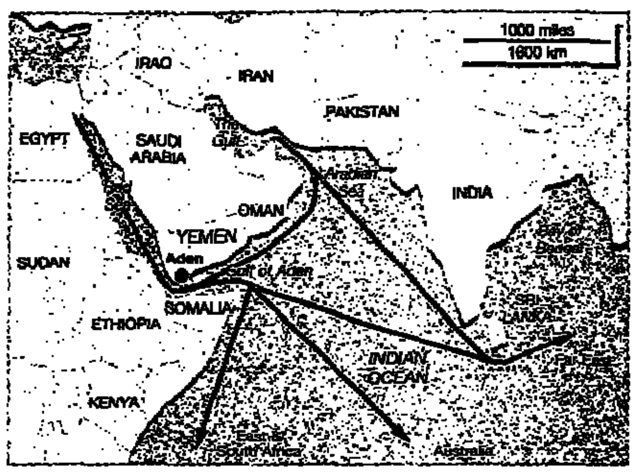
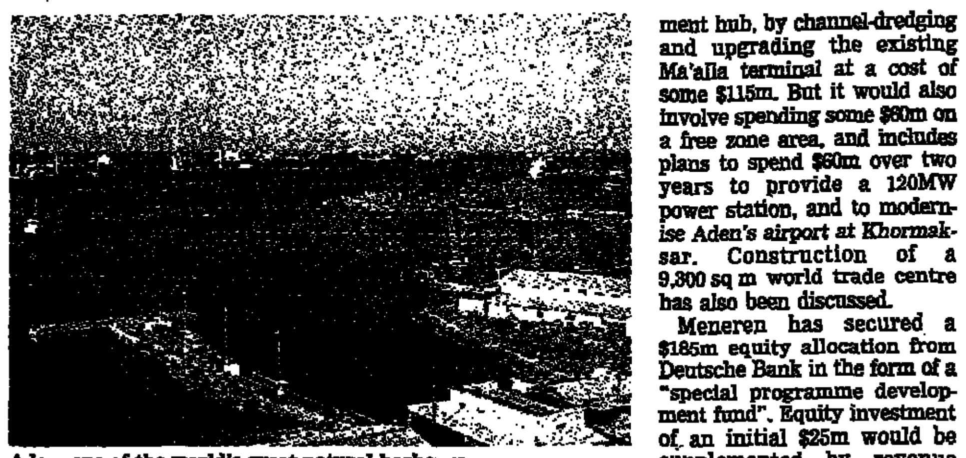
Port of Aden poised to compete in region

Robin Allen on a decision in the next few days on one of two international consortia development plans

The port of Aden could soon be competing with Dubai and Jeddah as a transhipment terminal for the Red Sea, East Africa, the Gulf and the Indian sub-continent if plans before the Yemeni government are approved.

For two months Aden's Free Zone Authority (FZA) has been studying proposals by two consortia to revitalise the port and develop a free zone. It is being helped by legal, financial, and port engineering experts funded by the British government's Overseas Development Administration (ODA) under a contract with KPMG (Klynveld Peat Marwick Goerdeler). President Ali Abdullah Saleh's government, acting on FZA recommendations, is expected to give the go-ahead to one of the two rival plans in the next few days.





Aden: one of the world's great natural harbours

Investors however are concerned the FZA, a recently-established political entity with no first-hand experience of port or free-zone management, should base its decision purely on advice from port experts.

For more than 100 years until 1967 Aden was regarded by shipping companies as one of the world's great natural harbours and busiest duty-free and bunkering ports. Subsequent events, which included four civil wars, have reduced it to a relic of the 1960s.

Unlike Yemen's small and diminishing supplies of oil and gas, the port is a renewable asset and has in recent years, largely as a result of professional management, been able to finance a $15m of expansion from its own revenues.

The two consortia are UK-based MBI International Group and Yemen Investment & Development Company (Yeminco), a local subsidiary of Saudi Economic Development Company (Sedco). The total cost of each development plan would be about $500m spread over seven to 10 years. Neither proposal requires any funding from Yemen's cash-strapped government.

The MBI group includes Vanguard International, part of the affiliated Guernsey-based J J Worldwide group, the UK's Halcrow International Partnership and Port of Singapore Authority (PSA).

MBI's proposal covers a three-phase construction, on a build-operate-transfer basis, of a container terminal on the port's north shore. Phase one would involve building two berths for the largest "Panamax" container ships now in service (so-called because they are too large to transit the Panama Canal), dredging the harbour channels and building a container yard. Phases two and three would concentrate on expanding gantry crane and other facilities so the terminal could handle an annual throughput of up to 3m 20-foot equivalent units (TEUs).

The contract with the FZA would entitle MBI to property and lease rights. MBI's start-up capital of $120m would be provided by the shareholders. The rest would be covered by international banks, the International Finance Corporation, the World Bank's private sector affiliate, and export credit agencies, particularly for the equipment.

Equity partners of the Yeminco/Sedco consortium are Dallas-based property developers Alliance Development Corporation, owned by Mr Ross Perot Jr, P&O (Australia), whose parent company operated Aden port until 1967; and London-based power contractors AES. Sedco has retained Denver-based Meneren Corporation as project manager.

Yeminco's basic plan is more broadly conceived. It also envisages building a transhipment hub, by channel-dredging and upgrading the existing Ma'alla terminal at a cost of some $115m. But it would also involve spending some $80m on a free zone area, and includes plans to spend $60m over two years to provide a 120MW power station, and to modernise Aden's airport at Khormaksar. Construction of a 9,300 sq m world trade centre has also been discussed.

Meneren has secured a $185m equity allocation from Deutsche Bank in the form of a "special programme development fund". Equity investment of an initial $25m would be supplemented by revenue streams, equipment from the US Federal Aviation Agency for the airport, and funds from international lending agencies as well as through export credit agencies.

Desperate for aid money and already in talks on economic reform with the International Monetary Fund and the World Bank, which could provide a $200m three-year loan, the government knows that a delay "beyond November 30", according to one source involved in the negotiations with the FZA, "would seriously undermine what little credibility President Saleh still has with the international community".

GM in talks on integrated car plant in Poland

By Kevin Done,
East Europe Correspondent

General Motors of the US and the Polish government have begun formal talks on GM proposals to build an integrated car manufacturing plant in Poland with an investment of up to DM550m (£252m).

Mr David Herman, chairman of Opel, GM's main European subsidiary, said yesterday that the company was aiming to build a plant on a greenfield site with a capacity to assemble 70,000 to 100,000 cars a year.

Following talks with Mr Klemens Scierski, Polish minister of trade and industry, Mr Herman said the two sides would meet again in December with a view to refining the agreement on conditions for the investment in January.

Final approval from the GM board is expected during the first quarter next year. Production is planned to begin by March 1998.

Confirmation of the GM plans comes shortly after the US vehicle maker lost its bid against the Daewoo group of South Korea to take control of FSO, the state-owned carmaker based in Warsaw. Daewoo is taking a 70 per cent stake in FSO and has pledged to invest $1.1bn (£709m) up to 2001.

With Fiat of Italy also firmly established in Poland following its earlier takeover of FSM, the country is emerging as a centre for vehicle manufacturing in central Europe.

Mr Herman said yesterday that GM had decided to open a regional components and materials purchasing office for central Europe in Warsaw, and that it intended to support the development of the Polish supplier industry.

GM components purchases in central Europe are expected to rise to up to DM1.8bn a year by 2000, he said, with Poland accounting for around 40 per cent of the total. The group planned to integrate supplier companies in central Europe into its European Opel vehicle production network.

Mr Herman said that the group had considered 42 possible locations for the new assembly plant. A final site had not yet been chosen, but the plant would be built in southern Poland within a 100km radius of Krakow in order to be close to both the main concentration of Polish components suppliers and to suppliers in the Czech Republic.

GM is aiming to reach a local content level of more than 60 per cent with the output of a low-cost family car aimed chiefly at the domestic Polish market and at other markets in central and eastern Europe.

It is expected to build a modified version of its existing generation Opel/Vauxhall Astra using a high level of Polish materials including steel. The new plant will include a press shop, that could also produce parts for west Europe, said Mr Herman.

Bumpy road ahead for world truck makers

By John Griffiths

The world truck market is about to go into a decline from which it will not recover until early next century, according to the Economist Intelligence Unit.

World commercial vehicle sales forecast (000s)

	1995	1996	1997	1998	1999	2000
Trucks	1,038	984	908	945	989	1,033
Light vehicles	4,385	4,588	4,754	5,020	5,132	5,231

Source: EIU.

The forecast applies to trucks of six tonnes and upwards, and contrasts with sales projections for lighter commercial vehicles, which show uninterrupted growth totalling 20 per cent over the next five years.

The trucks sector will be hit from next year by cyclical downturns in the West European and North American markets, according to the EIU. Demand will be further depressed by deregulation of road transport and other legislative changes in Europe, and by the use of electronic logistical aids allowing truck operators to use their vehicles more efficiently.

Despite the inevitable intensification of competition, further collapses of European truck manufacturers on the scale of the former Anglo-Dutch DAF group two years ago were unlikely, it said. Market shares would become more evenly balanced, preventing the emergence of a single dominant group.

Indeed, European dominance of world heavy truck production would be consolidated over the next five years as final assembly operations expanded beyond traditional markets to many parts of the developing world, particularly India, Mexico and the Pacific Rim.

Japanese truck makers remained in the weakest position because of their high costs and the strength of the yen; however the increasingly-proclaimed threat from South Korean rivals was widely overestimated, the EIU said.

Meanwhile market analysts DRI McGraw-Hill, in a separate report on light vehicles such as leisure four-wheel-drives and multi-purpose vehicles (MPVs) such as the trend-setting Renault Espace, warns that the small but fast growing MPV market in Europe may stabilise at around 450,000 units. This would leave manufacturers, who are currently crowding into the sector with many new products, with a severe over-capacity problem, of around 100,000 units a year.

World Commercial Vehicle Forecasts 1996 Edition. Economist Intelligence Unit, 15 Regent Street, London SW1Y 4LR. £595/$940.

World Light Truck Industry Forecast Report. DRI/McGraw-Hill, Wimbledon Bridge House, 1 Hartfield Road, Wimbledon, London SW19 3RU. £4,000.

Coca-Cola targets central Asia

By Kevin Done,
East Europe Correspondent

Coca-Cola, the world's largest soft drinks producer, has opened a regional office in Istanbul to use Turkey as the springboard for expansion into Central Asia, where it is planning to invest more than $100m in the next two years.

Mr Neville Isdell, president of Coca-Cola's Greater Europe group, said the company had already exported $30m of supplies and equipment from Turkey to the region in the last two years.

Coca-Cola has formed an alliance with the Anadolu group of Turkey, the biggest Turkish brewer, which has the Coca-Cola botting rights for Turkmenistan, Kyrgyzstan, Kazakhstan, Azerbaijan and parts of southern Russia.

The US beverage group is expanding its operations too in Turkey with the opening of two new bottling plants following an investment of $54m.

Along with its bottling partners, it has doubled its capital investment in Turkey to $250m in the past two years.

The two plants, located in the cities of Bursa and Mersin, will be owned and operated by Maksan, which itself is wholly owned by Atlantic Industries, a subsidiary of Coca-Cola.

China says time is ripe to join WTO

By Tony Walker in Beijing

The time was ripe for China to join the World Trade Organisation following its announcement of substantial tariff cuts at the recent meeting of the Asia Pacific Economic Co-operation forum, a Chinese official said yesterday.

Mr Shen Guofang, a foreign ministry spokesman, said China had made "unremitting efforts" to join the WTO and conditions for entry had "basically become mature".

But in Beijing western officials monitoring negotiations on China's accession to WTO said Beijing still has a long way to go to satisfy entry requirements. While they welcomed China's announcement that it was reducing duties on 4,000 imported items by 30 per cent, they noted that tariff reduction was only part of the requirement for entry to the world trade body.

China has not yet provided details of items on which tariffs will be reduced, nor has it outlined its plans for lifting quotas on more than 170 products. Beijing may withhold this information until early next month when negotiations resume in Geneva on China's entry to the WTO.

China's decision to cut tariffs will give a sharper focus to the negotiations. Beijing clearly hopes its gesture on tariffs will help accelerate the negotiations.

But other vexed issues are certain to bedevil the negotiations.

These include demands for greater access to the Chinese market for service institutions such as foreign banks and insurance companies, improved transparency of rules and regulations governing trade and commerce, and greater protection for intellectual property rights.

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in talks on
rated car
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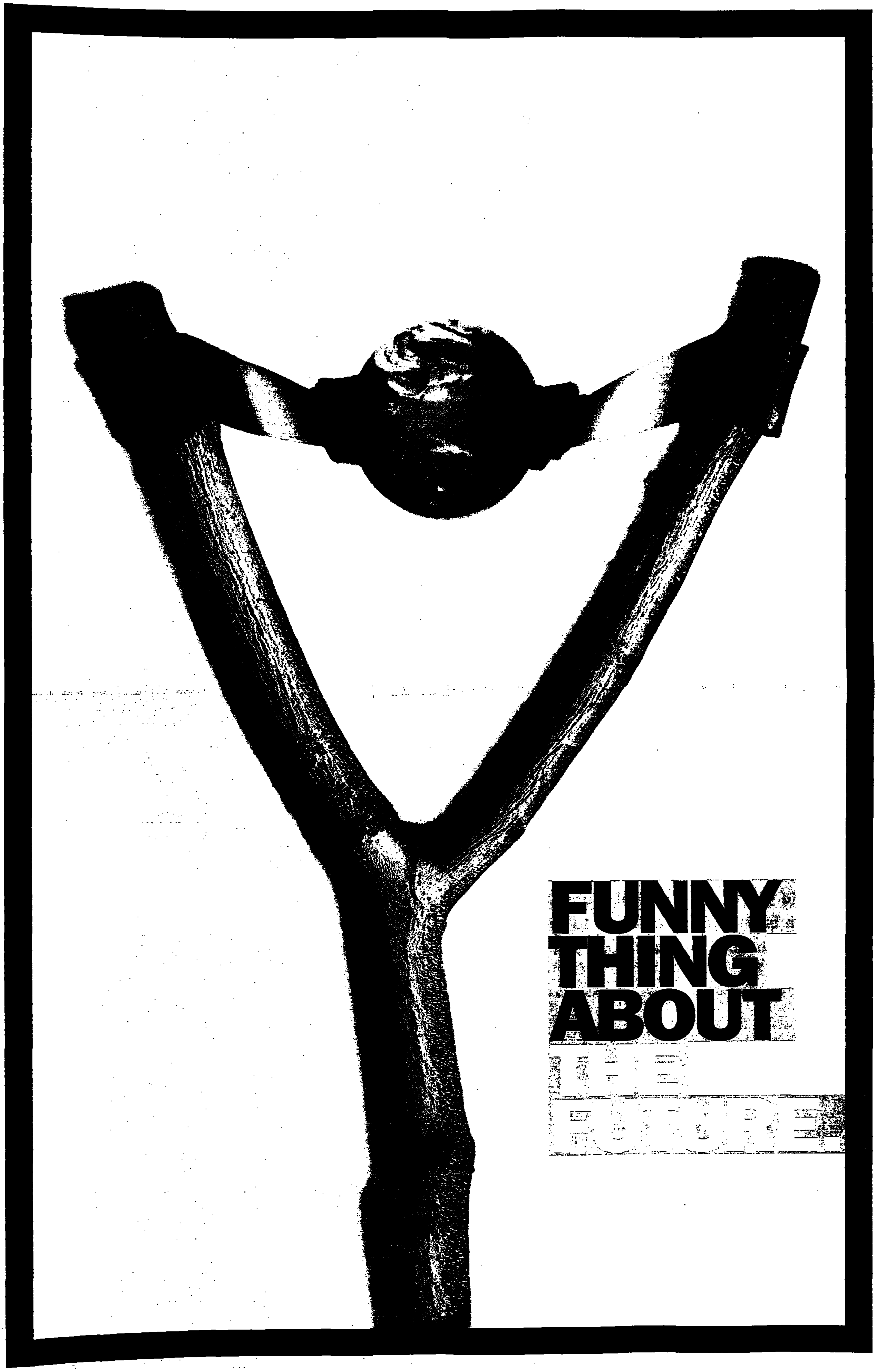


Mubarak cracks down on Islamists

By James Whittington in Cairo

Egypt's President Hosni Mubarak yesterday moved decisively against the country's oldest and most popular Islamist organisation, the Moslem Brotherhood, after years of turning a blind eye to many of its activities.

A military court sentenced 54 men to between three and five years in prison, some with hard labour, after a controversial conspiracy trial against 81 middle-ranking members of the movement.

At the same time, security forces closed the group's headquarters in central Cairo.

The action is the biggest blow to the Brotherhood since the purges and mass arrests by the nationalist president Gamal Abdul Nasser in the 1950s and 1960s.

Yesterday's events were the culmination of a strategy adopted about a year ago by President Mubarak's government aimed at repressing the country's biggest and most effective opposition movement. In parliamentary elections next week the Brotherhood, although technically banned, is running more than 150 candidates, as independents.

Established in 1928 by Mr Hassan al Banna, the Brotherhood is the prototype for modern Islamist parties throughout the Middle East and North Africa. In Egypt it has remained faithful to its roots, aiming to create an Islamic state through mainly peaceful means. Much of its work is charitable: it sponsors schools, training colleges, hospitals, mosques and food kitchens. It is estimated to have hundreds of thousands of members. Although banned by President Nasser in 1954, the movement was courted by President Anwar Sadat and until recently tolerated by Mr Mubarak.

Observers in Cairo say the change in Mr Mubarak's attitude towards the Brotherhood occurred when Egypt's security forces gained the upper hand against Islamic militants' campaign of terror in the main cities and tourist sites.

Government officials began to lump the Brotherhood together with militant groups such as the Gama'a al Islamiya and al-Jihad, despite protestations from the movement that it had nothing to do with them.

Hundreds of the movement's members have been arrested since January, intensifying after the president survived an assassination attempt by Islamic militants during a visit to the Ethiopian capital Addis Ababa in June. However, to avoid an all-out confrontation, the leadership was left untouched and the movement was allowed to continue most of its activities, including standing in Wednesday's elections.

"There are people in the government who are convinced that the Brotherhood has been helping the terrorists," said one diplomat. "Whether or not they have any evidence to prove this remains to be seen. But the president has obviously sanctioned a clampdown, albeit a cautious one, to eliminate the movement on a national level."

The cases against the 81 defendants were referred to the military courts in September. The charges include holding illegal secret meetings, having links with terrorist groups and trying to re-activate an illegal organisation. The trials caused controversy in Egypt and were condemned by human rights groups such as Amnesty International.

Previously the military courts – which unlike the civilian ones are considered quick, ruthless and efficient – had been reserved for Islamist terrorists. The defendants from the Brotherhood consisted of prominent members of society including doctors, academics, lawyers and journalists. Some of the sessions were described by independent observers as farcical.

The move against the Brotherhood is seen as an attack on a new generation of leaders of the movement – the most prominent being Mr Essam el-Eryan and Mr Abdelmoneim Abul-Futouh, who were both sentenced to five years with hard labour. Nearly all the movement's leaders are over 70 and have been under increasing pressure to give way to younger activists.

The closure of the movement's headquarters, which has been used openly by the Brotherhood since 1972, means that any meetings from now on will have to be organised covertly with the risk of further arrests.

Despite the clampdown, members of the Brotherhood remain defiant. Mr Mohamed Abu Katoush, who has been repeatedly arrested for campaigning for a parliamentary seat in the Cairo slum of Boulaq, says that the government's actions will in the long run prove ineffective.

"We are used to reorganising ourselves in the face of repression and this time will be no different. We know this government is unpopular and has no real legitimacy. In the end it will have to go but we will still be here," he said.

Essam el-Eryan, a leader of the Egyptian doctors' association, is led from the military court Reuter

INTERNATIONAL NEWS DIGEST

Shell turns on its accusers

Royal Dutch/Shell yesterday accused environment campaigners Greenpeace, Friends of the Earth and the Body Shop of "lying" after it emerged that a "recent" photograph of a gas flare used to illustrate a full page advertisement was taken nearly three years ago. The advertisement was part of a campaign to boycott the giant oil company because of its activities in Nigeria.

"We are tired of people telling lies. We have nothing to hide," said Mr Brian Anderson, Shell's managing director in Nigeria, at a media briefing in London.

The Sunday newspaper advertisement carried a photograph of a flaring gas pipe, with the headline: "Dear Shell, This is the Truth. And it Stinks."

The text below asserted: "This picture was taken recently in Ogoniland – the part of Nigeria that Ken Saro-Wiwa and the Ogoni people have been campaigning to defend for over thirty years."

Two weeks ago the Nigerian government provoked international outrage and calls for oil sanctions when it executed Mr Saro-Wiwa and eight other campaigners.

Shell yesterday showed a film taken during a helicopter tour of the region this week. None of the gas outlets were being flared, and the presence of undergrowth, which cannot survive the heat of burning gas, indicated that no flaring had taken place for some time.

Asked to comment, Friends of the Earth said the photograph had been taken in January 1993, but defended its description as recent as "a completely legitimate use of the word".

A Greenpeace spokesman said the photograph was "as recent ... we can get". Mr Anderson said the company would lodge a complaint with the *British Advertising Standards Authority* over the advertisement, which called for a boycott of Shell products. Shell stopped its activities in Ogoniland two years ago following civil unrest in this part of southern Nigeria.

Michael Holman, London

See Editorial Comment

Algeria's FLN shifts tactics

Algeria's National Liberation Front (FLN), the former ruling party, yesterday sent a warm letter of congratulations to newly elected President Liamine Zeroual.

Only a few weeks ago, FLN leaders were calling for a boycott of an election they considered a farce aimed at lending legitimacy to an illegal regime.

The failure of the boycott – according to government figures nearly 76 per cent of the electorate voted last week – seems to be forcing a change of tactics on the part of the opposition, and a readiness to encourage Mr Zeroual to relaunch discussions aimed at resolving Algeria's four-year crisis.

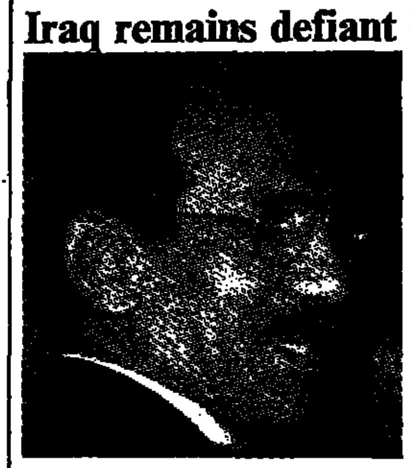
Mr Mehri's letter follows a similarly conciliatory one by Mr Rabah Kebir, spokesman for the leadership in exile of the Islamic Salvation Front (FIS). Mr Zeroual's election marks a setback for the FLN. The former ruling party moved into opposition in 1992, after the army cancelled legislative elections the FIS was expected to win.

In last week's election, however, many FLN supporters appear to have voted for Mr Zeroual.

Algerian government officials say the president is now contemplating starting his own party to maintain his support in preparation for legislative elections, which could be held next year.

Roula Khalaf, London

Iraq remains defiant on oil offer



Amir Muhammad Rasheed, left, Iraq's oil minister, yesterday reiterated that his country rejects the United Nations offer of a one-off sale of oil to pay for food and other humanitarian needs. He insisted, at a news conference in Vienna, that the terms of the UN offer, under which the distribution of the aid would be strictly supervised, infringed Iraqi sovereignty. "The negotiations with the UN are futile unless there is a change of heart, the Iraqi minister said after a Vienna meeting of the Organisation of the Petroleum Exporting Countries (Opec). The UN will not lift the 1990 Gulf War oil embargo until satisfied that Iraq has destroyed all its potential to unleash weapons of mass destruction.

But it has separately offered Iraq a one-off sale of oil under supervision to pay for urgent food and other humanitarian needs. Baghdad has regularly turned down the offer on grounds that the terms infringed its sovereignty.

The offer under UN Security Council resolution number 986 would let Iraq sell oil worth up to $2bn over six months.

Any suggestion that some Iraqi oil might be returned to an already soft market unnerves traders. Even with up to 2m b/d of Iraqi exports shut in by the sanctions, prices languish below $17 per barrel.

Reuter, Vienna

World's insurers in green pledge

More than 40 leading insurance groups have pledged to promote sustainable development and sound environmental practice in their own companies and among their clients. Representatives of 20 insurers were in Geneva yesterday to sign a Statement of Environmental Commitment, which has the backing of a further 23 companies.

The steering committee which drew up the statement in co-operation with the United Nations Environment Programme (UNEP) includes Britain's General Accident and NPI (National Provident Institutions), Gerling-Konzern Globale of Germany, Sumitomo Marine & Fire of Japan, Swiss Re and Norway's Uni Storebrand.

UNEP points out that insurance companies have a strong financial incentive to reduce environmental risk. "A few major disasters caused by extreme climate events or toxic waste spills could literally bankrupt the industry in the next decade," says Mr Hans Alders, UNEP's European director.

Insurers can set contract terms so as to encourage good environmental management by industry. As big investors, they can also influence the policies of companies whose shares they hold and exploit the opportunities for "green" investments. NPI, for instance, manages two "green" funds.

Frances Williams, Geneva

Global gloom falls on business

Businesses around the world are less confident about their sales than at any time since the beginning of last year, according to the latest quarterly survey by Dun & Bradstreet, the business information group.

Optimism about sales has deteriorated for five successive quarters, with the decline proving particularly sharp in the Pacific region and the Americas. Optimism about sales in Europe has declined only a little.

On profits, Germany, Italy and the Netherlands were the only countries to see optimism rise significantly in the latest quarter.

Companies around the world are also less confident about raising prices, with confidence in this area dropping to its lowest level since the fourth quarter of 1994. The biggest upswing in price expectations came in Switzerland, albeit from very low starting point.

The world average of employment expectations was little changed in the latest survey, with a slight pick-up in Europe and a slight deterioration in the Pacific region. Expectations in North America were flat.

Robert Chote, Economics Editor

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Doubts over Mexican monetary policy blamed for currency's fall, write **Stephen Fidler** and **Leslie Crawford**

Ghost of peso's plight continues to haunt investors

The renewed spell of Mexican peso weakness has worried those who thought the worst of the crisis sparked by last December's devaluation was over. Although it has recovered from its lows, the currency's fall has led to renewed anxiety not only in Mexico City but across Latin America, where governments worry about the contagion effects of Mexico's troubles, and in Washington.

For the administration of President Bill Clinton, which arranged and contributed $20bn to a bail-out package for Mexico, the country – along with Haiti – represents the main potential trouble spot in the western hemisphere as he seeks re-election next year.

If this much is clear, it is less obvious what is behind the latest bout of peso weakness. Asked if he was worried about the currency's tribulations, Mr Jesus Silva Herzog, Mexico's ambassador to the US, said this week: "I am concerned because we do not know what is causing it."

When institutional investors and bankers in the US are asked for explanations, almost all blame a lack of credibility in the Mexican government. "The bottom line," said a senior Mexican finance official, "is that the markets have not forgiven us for mishandling the devaluation."

While the government from President Ernest Zedillo down is criticised, many in the financial markets remain highly sceptical about the way the Bank of Mexico is handling monetary policy.

Part of the central bank's credibility gap stems from its continuing insistence that it made no policy mistakes in 1994. This contradicts the widely held view that the bank's decision to expand domestic credit in 1994, to offset the contractionary effects of shrinking international reserves, sealed the fate of Mexico's pegged exchange rate regime.

When Mr Miguel Mancera, the central bank president, said in late October that the monetary base would be expanded by up to 40 per cent by the end of the year to accommodate the usual seasonal surge in demand for money, the financial markets took fright and the bank was forced to issue a statement that the expected increase did not imply "the adoption of an expansionary policy stance."

Indeed, say independent US economists, such an increase would have left the central bank within its monetary targets set in March and in any case the actual expansion will be far below the 40 per cent maximum.

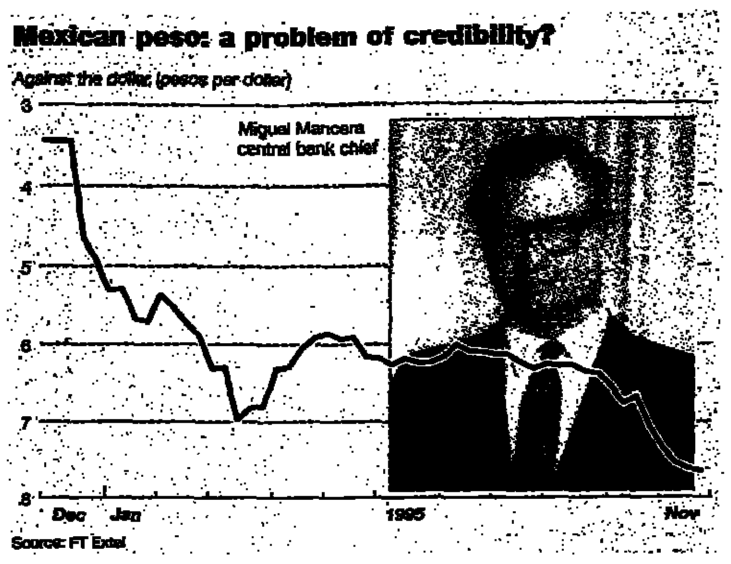
However, some argue that the bank's problem is precisely its quantitative targets for money supply, which have essentially been abandoned by the main central banks in the industrialised world.

Critics argue that it is impossible at any point in time to know whether Mexican monetary policy is tight or loose, because changes in the economy and financial system are doing unknown things to money demand.

Economists at Chase Manhattan Bank in New York argue that the current peso problems "reflect a weak monetary regime" and that the central bank should switch to targeting interest rates. They say that it is too easy, given Mexico's thin financial markets, for actors other than the central bank to manipulate both interest rates and the exchange rate and thereby send inappropriate market signals.

Zedillo: under fire

Mexican peso: a problem of credibility?



Source: FT Extel

"Under the current monetary regime, there are no incentives to stop banks, under financial distress, from pushing interest rates down sharply... and currency players from speculating indefinitely against the peso," said Chase senior economist Mr José Barrionuevo.

Suggesting it implied a shift to a so-called dirty float, he applauded the central bank decision to intervene in support of the peso this month. He says speculation in the peso – where three Mexican banks last year accounted for half of all trading, according to the International Monetary Fund – could be reduced further through a Brazilian-style currency auction.

However, some bankers in New York are worried that a sharp fall in reserves caused by central bank intervention risks setting off another panic.

There remains, for some observers, a more fundamental question. "There has been a drop in demand for all Mexican financial assets, and that includes money and securities," says one Washington-based economist. The Mexican authorities have responded conventionally to this by raising interest rates in order to increase the attraction of these assets.

Yet the effectiveness of this under current Mexican conditions is in doubt. When short-term interest rates rise to 80 per cent, as they did briefly last week, investor concerns intensify about the depth of the recession and the health of the banking system.

The market is concerned about the bad quality of assets held by Mexican banks," says Mr Jim Nash, economist at Nomura Research Institute in New York. According to one senior banker in New York, consumer loans are performing particularly badly following the explosion of credit card finance up until mid-1994.

The National Banking Commission has yet to publish consolidated accounts for the third quarter. But, based on third quarter results published by individual banks, bank analysts at Salomon Brothers estimate past due loans increased to 14 per cent of the banking system's total portfolio at the end of September, compared with 10.3 per cent three months earlier.

The estimate, which excludes banks taken over by the government, far exceeds the system's capital base and, partly because of this month's high interest rates, is expected to grow further in the fourth quarter despite the relief schemes now in place.

Some investors have also begun to consider Mexico's future financing burden. While debt repayments will not match 1995's extraordinary total – the government alone faced $41.4bn of debt maturities in foreign currency this year falling to only $8.9bn in 1996 – analysts say the country will need to call continually on world capital markets, with 1997 and 1998 being particularly important.

Provisional figures from the Institute of International Finance, the Washington-based organisation owned by financial institutions around the world, suggest Mexican public and private sector foreign debt maturities will rise from $13.4bn next year to $17.8bn in 1997 and $19.4bn in 1998. Repayments fall sharply in 1999 to $7.7bn and in 2000 to $5.5bn. The estimates assume no further drawdowns from the US credit line and only one more, this year, from the IMF.

The figures suggest unless financial market attitudes to Mexico improve the country will continue to face difficulties for a considerable period. Despite this, government officials say they are determined to stick to their current strategy.

This means they are not heeding the calls by two groups of economists – one concentrating on the real economy and the other on the financial system – who say the depreciation of the peso is nothing to worry about and that a further devaluation would be beneficial.

One group led by Mr Rudi Dornbusch of the Massachusetts Institute of Technology, argues that a looser monetary policy and a still weaker peso is needed to get the private economy moving. He agrees investors will not like it, but says investors will exit anyway because of political and other concerns.

Another group, led by Mr Guillermo Calvo of the University of Maryland, argues that a sharp peso depreciation and lower interest rates would boil down, or liquefy, the banking system's bad loan problems and cure the excess supply of Mexican financial assets at a stroke.

For more orthodox economists, this is dangerous talk. "The real exchange rate is more than 35 per cent more competitive than it was at the end of last year and exports will grow this year by more than 30 per cent," says one monetary official in Washington. It is not at all clear a further devaluation would do anything more than feed an inflationary spiral. It would also be unfair to savers and create a moral-hazard problem in which those who have behaved most recklessly in the past benefit most. "If you liquefy bank assets, you also have to liquefy the liabilities," he said.

Garrulous Gingrich gives Republicans cause for concern

By Jurek Martin in Washington

As American families consumed their Thanksgiving turkeys yesterday, the more politically minded among them might be excused for wondering whether Congressman Newt Gingrich, the Speaker of the House of Representatives, was turning into one.

Rarely has a politician fallen so far and so fast in the public esteem as Mr Gingrich. Widely hailed even by his critics not so long ago as "the most powerful Speaker this century," or at least within living memory, he is now increasingly seen as one of the largest obstacles to the successful completion of the Republican agenda of which he was a leading architect.

He is in public hot water again for some typical remarks after a session with Republican governors in New Hampshire on Tuesday. He said that a singularly gruesome triple murder in Illinois was the direct result of "the welfare state" and "the moral decay" which it had generated.

This is not the first time Mr Gingrich has ventured into this territory. He blamed a mother's murder of her two children in South Carolina last year on President Lyndon Johnson's Great Society social legislation (which, he said, had killed more people than LBJ did in Vietnam) and once described the complex sexual affairs of film director Woody Allen as the "perfect model of Clinton Democratic values."

His critics have had a field day with his latest excursion. A Washington Post editorial yesterday said: "Mr Gingrich affects to be an intellectual, an historian and a moralist. These odd formulations of his fail on all three counts."

Mr Mike McCurry, the White House press secretary who loves to take the Speaker on, sarcastically dismissed them as "some kind of sociology course."

If such reactions were to be expected from his opponents, the controversies the Speaker sparks are also beginning to worry his Republican colleagues. They are about to enter intense budget negotiations with the administration in the knowledge that public opinion has turned against them in good measure because of Mr Gingrich's comments and attitude, of which his complaints of being snubbed by the president aboard Air Force One are merely the most egregious.

Mr Gingrich may not even be a central member on the Republican team. Those burdens look likely to fall on three budget experts, Senator Bob Dole, the majority leader, and Senator Pete Domenici and Congressman John Kasich, heads of the respective budget committees.

Leading the administration side will be Mr Leon Panetta, White House chief of staff but previously a House budget committee chairman and a central player in the 1990 budget accord signed by President George Bush. Mr Gingrich led an unsuccessful fight against that agreement because of its tax increases and may look askance at any compromise he and his freshman Republicans do not like.

The underlying doubts about Mr Gingrich always centred on whether he could make the transition from being a bomb-thrower of the Republican right, his self-designated role since he was elected to the House from Georgia in 1980, to the national stage as Speaker, a position that ranks third in constitutional seniority behind the president and vice president.

Sometimes he does play the more statesmanlike role. This week he was more conciliatory than Mr Dole in not dismissing out of hand US participation in the Nato mission to enforce the peace in Bosnia, urging members to keep an open mind until they learned the details.

But this is more than offset by his love of the spotlight and perpetual tendency to run off at the mouth on any known subject, allied to a contempt for Mr Clinton and liberal values that he rarely bothers to conceal.

Over Thanksgiving, Mr Gingrich will decide with his family about a presidential run. Nobody thinks he will enter the race with his polling numbers.

Menem blank cheque opposed

By David Pilling in Buenos Aires

Congressmen from the opposition and the governing Peronist party want President Carlos Menem to tell them precisely what use he would make of the emergency economic powers he has requested, resisting what many see as the granting of open-ended authority.

Last week Mr Menem asked Congress to declare a state of economic emergency, which would enable him to adopt discretionary powers to cut state entities, raise taxes and push ahead with privatisations.

He wants the powers to instigate what is being called State Reform II, a second phase of public-sector restructuring, which he says has become more urgent because of the pressing need to bring expenditure into line with tax revenue. This has fallen well below expectations in 1995 because of recession, raising serious concern about whether next year's budget can be balanced.

The national committee of the Radical party said it would oppose giving Mr Menem a "blank cheque by means of an unconstitutional law that gives him a free hand to create more unemployment and to reduce wages."

Government officials are resisting pressure to provide too many details of which state bodies would be cut, or which taxes would be altered, fearing that to do so would provide lobbyists with ammunition to scupper the whole initiative.

It is thought that among the government's plans are to maintain VAT at 21 per cent for a further year.

After the Mexican devaluation, which rattled confidence in Argentina, the treasury raised VAT from 18 to 21 per cent, but the tax is due to revert to its previous level next April.

The government may also raise duty on beer and cigarettes and introduce income tax for judges and politicians, currently exempt.

It is also planned to phase out overlapping sub-secretariats and other government bodies.

Striking machinists outside Boeing's Seattle HQ rejected their own union's advice — Associated Press

Author Clancy turns talent to cybercomics

By Christopher Parkes in Los Angeles

Tom Clancy, the acclaimed novelist, is to boldly go across the last great frontier left in the publishing world.

The author of bestsellers such as The Hunt for Red October, Patriot Games and Clear and Present Danger is working on a crew of comic book cybercops for BIG Entertainment, a small Florida entertainment company, who will star in a "graphic novel" due out next summer and feature in a series of adventures on the Internet.

Planned spin-offs from these futuristic FBI agents dedicated to bugging Internet crooks and cyber-terrorists in 2025, include on-line publication, films, CD-Roms, video games, T-shirts, backpacks, toys and even real novels – the type without pictures.

The man who once said surrendering a book to a film producer was like delivering one's daughter into the hands of a pimp, appears to have done a deal under which he and fellow author Mr Steve Pieczenik will get half the profits.

Mr Mitchell Rubenstein, co-founder of BIG E, says that while the company turned over just $8m in its first 12 months, come 1997 "and we go gangbusters". That is when the first of an expected series of feature and television films based on BIG E's stable of "entertainment properties" reach the screen.

Television and video deals involving Mr Clancy's Net Force are expected to be signed in the next few months. A leading film studio was among the earliest callers when news of the deal broke this week, Mr Rubenstein says.

Meanwhile, current projects include a hardback "novelization" of the monthly comic of Star Trek actor Leonard Nimoy's alien creations, Primortals. Warner Books, part of the Time Warner entertainment conglomerate, will bring it out on behalf of BIG E in time for Christmas. And Mr Gene Roddenberry, creator of Star Trek and father of Mr Nimoy's screen character, Dr Spock, is responsible for another BIG E creation, Xander in the Lost Universe.

Mr Clancy, who claims he can write 1,200 manuscript pages of blockbuster in five months, says: "Net Force combines my love of science fiction, my fascination with computers and my long-standing interest in the FBI."

Add in fantasy, role-playing and games, as marketing experts point out, and you have the perfect mix for the young male adult audience.

The BIG E business formula is based on the fact that nine of the 10 biggest-grossing films ever were from the sci-fi and fantasy genre. They include Indiana Jones, Jurassic Park, ET, Star Wars and Batman. The Batman marketing phenomenon started out as a comic book. The hit movie, Mortal Kombat, began as a video game.

Despite its links with the Internet, BIG E's "21st century approach" to entertainment is also designed to reach into the consumer's pocket via the dull old shopping mall.

The company has latched on to a trend in which shopping centre developers are looking for ideas to replace department stores – disappearing under pressure from specialist retailers – as the "anchors" and attractions to their sites.

BIG E already has almost 40 "entertainment kiosks" in regional malls (favoured hang-outs of idling youth) which sell comics and games and feature banks of video monitors showing programming, music and advertising.

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Telecoms watchdog savages BT in war of words

By Alan Cane

A powerful attack on British Telecommunications' business ethics was launched yesterday by Mr Don Cruickshank, the industry's watchdog, as the war of words between the two sides reached a new level of intensity.

Mr Cruickshank, director general of Oftel, accused BT at a public hearing of failing to implement fair trading throughout its business. He suggested BT took the view there was no harm in carrying out an anti-competitive practice "unless and until the regulator intervenes".

At the hearing, the first of its kind concerned with regulatory matters, he complained: "I have found repeatedly the only way I can seek to control anti-competitive practices in relation to individual complaints has been to seek to change the rules rather than to apply them."

The focus of the hearing, attended by more than 300 people, was to debate a proposal put forward by Mr Cruickshank earlier this year, to give him widespread powers to root out anti-competitive behaviour in the industry.

The proposal, part of a wide-ranging review of Britain's regulatory regime published in July, is designed to make it easier for him to attack such practices. BT's rivals have accused the company of tactics making it difficult for new competitors to enter the market.

Mr Cruickshank is concerned that BT's monopoly within the UK market has barely contracted, despite the emergence of 150 new licensed operators over the last few years.

Mr Cruickshank's criticism came as Sir Iain Vallance, BT's chairman, questioned the motives behind the regulator's proposal. Speaking at the Policy Studies Institute last night, Sir Iain said: "It is not clear what lies behind the director-general's ambitions to become an untrammelled competition authority as well as a regulator."

He accused Mr Cruickshank of seeking to drive down BT's market share "by any and all means that come to hand" at the expense of his other responsibilities".

BT is worried that Mr Cruickshank's proposal would give him the power of judge and jury with no recourse to a higher court.

Sir Iain said: "It is my belief that the director general's current proposals presage a highly dangerous new form of regulation, with broad and undefined discretionary, or absolute, powers vested in a single individual."

Despite the sharp differences between BT and the regulator, Sir Iain backed Mr Cruickshank's recent suggestion that regulating UK telecoms was too much for a single individual and that a commission should take its place.

At the Oftel hearing, Mr Wayne Gowan, chairman of the Cable Communications Association, said that competition policy had failed to control BT and provided no commercial redress for its rivals.

He said that if the price cap on BT's line rentals to customers was removed or relaxed, as proposed by Mr Cruickshank in his July review, new anti-competitive measures would be vital.

Internet companies angered by BT

By James Harding and Paul Taylor

Oftel is considering action against British Telecommunications following allegations of anticompetitive practice in the market for Internet services.

The threat of intervention comes as BT is trying to win corporate customers from independent Internet service providers with cut-price connections through its fledgling BTNet division.

There have also been complaints to Oftel from other Internet service providers about BT's plans to enter the consumer dial-up Internet market by the end of the year.

The small, but fast-growing independent Internet companies have been pressing Oftel to penalise BT, which they believe has been abusing its dominant position to steal their customers.

In a letter to independent Internet service providers, Oftel confirms that BT is using funds from other areas of its business to subsidise BTNet.

Although this cross-subsidy contravenes the rules of BT's licence, Oftel says it is considering whether the subsidy is "unfair at this stage, as the company [BT] is still very much in its start up phase".

"Oftel will be monitoring the situation to ensure that an unfair subsidy does not take place at a time when the company should be meeting its own costs," the letter says.

Cross-subsidising is one allegation that has been levelled against BT by independent Internet companies.

Mr Peter Dawe, founder of Unipalm PIPEX, one of the leading Internet service providers to business in the UK, says that BT has taken his customers by offering a free service if they disconnect from PIPEX. "This is clearly anti-competitive practice," he says.

As yet, BT does not offer a service for individual consumers, but has confirmed it will launch a package aimed at this fast-growing market segment by the end of the year.

Tower blocks set to win protection

Virginia Bottomley will today delight connoisseurs of 1960s tower blocks, when she announces that three classics of the genre in London – Centre Point, New Zealand House and Millbank Tower – are to be preserved in perpetuity, *George Parker writes.*

The national heritage secretary will agree that the three office blocks, which some architects have condemned as eyesores, should be given listed building protection.

Mrs Bottomley and ministerial colleagues will today announce decisions on 35 post-war buildings nominated by English Heritage for listing.

Others on the controversial list included a canteen in Dagenham, the CIS building in Manchester and the Heinz headquarters in Hillingdon.

For the first time ministers have taken into account the views of members of the public, about 2,000 of whom wrote to the department with their views on the proposed list.

Full details of Mrs Bottomley's decisions were unclear last night, but senior officials said she would list three of the most contentious tower blocks in London because of their "special architectural merit".

Centre Point, the waffle-like tower in central London, will be perhaps the most surprising choice. Built between 1961 and 1965 many believed it was completely out of scale with its surroundings.

UK backs off EU recycling plan

By Neil Buckley

Mr John Gummer, the UK environment secretary, has backed away from adopting an industry plan designed to meet European targets on packaging recovery and recycling after complaints from companies in the sector that it was costly and unfair.

Packaging companies, meanwhile, have written to the department of the environment complaining that some of the UK's largest consumer products manufacturers – which back the plan – had used "strong-arm tactics" to persuade them to pledge support to the scheme.

The latest delay makes it increasingly unlikely the UK will have a scheme in place by the deadline of July next year, imposed by the European directive on packaging and packaging waste. The directive requires EU members to recover between 50 and 65 per cent of packaging waste annually - rather than bury it in landfill sites - by the 2001.

Mr Gummer had prepared to announce today that the government would adopt a revised version of an industry plan originally put forward in June. But he told a meeting of MPs on Wednesday he had become aware industry was split over the plan, and he was extending the consultation process.

He has asked V-WRAG, the industry body leading attempts to reach an agreement, to find a compromise by the end of this month. However, many involved in the process believe an acceptable compromise may not be found before Christmas.

Packaging companies have complained they have been subjected to a concerted letter-writing campaign by consumer products groups – pressing them to write to Mr Gummer expressing their support for the plan – organised by the Food and Drink Federation, the food industry body.

Copies passed to the FT of letters addressed to packaging groups from three different food manufacturers all encourage this action. Two state copies of the packaging companies' letters to Mr Gummer should be sent also to them.

The Food and Drink Federation confirmed yesterday it had encouraged members to write to packaging groups with a request to "clarify their position" on the plan, and emphasise the need for agreement.

But Mr John Wood, who deals with packaging issues at the Federation, said the letters did "not represent undue commercial pressure". He said: "It is not unreasonable to clarify what position one's suppliers are taking."

The so-called Shared Producer Responsibility plan, published in June, gained broad support across the packaging chain. But government insisted the plan should be modified to impose recycling targets on individual companies, and split the legal and financial responsibility for meeting the European targets across the sectors of the packaging chain.

British Gas in row over N Sea contracts

By Peggy Hollinger

British Gas has sent a curt letter to North Sea producers in an attempt to renegotiate £40bn ($62.4bn) worth of "take or pay" contracts.

One supplier said the move was "heavy-handed".

The letter says producers should not interpret payments made under the agreements as indicating that British Gas acknowledges the lawfulness of the contracts. The letter also hints that the company may seek to recover any sums paid under the terms of the contracts from October 1, should it decide the agreements are unlawful.

"BG intends currently to perform in accordance with the terms of the agreements," the letter says. "However, BG wishes there to be no misunderstanding as to the basis on which it is doing so."

Payment "does not indicate any view or acknowledgement on the part of BG that such sums are properly payable or may not come to be recovered; does not indicate any view or acknowledgement on the part of BG as to the lawfulness or otherwise of the agreements or any of the terms of the agreements; provides no indication of any future steps BG may take in relation to such sums or in relation to the agreements generally."

The letter sparked indignation among many of British Gas's suppliers. One, who said he understood that British Gas might be trying to protect its legal position if negotiations fail, said the company had taken a "very heavy-handed" approach to the problem.

Several suppliers have indicated that they are prepared to renegotiate the contracts as long as both sides benefit. Many are understood to feel that their duties to shareholders would preclude a straight renegotiation of the contracts at a lower price, which would be seen to benefit only British Gas.

This week, Mr Tim Eggar, energy minister, caused anger among suppliers with comments that both parties would have to share the pain.

British Gas yesterday refused to comment on the letter. It said only that the preferred way forward was to pursue discussions with its suppliers.

British Gas wants producers to renegotiate the contracts because the onset of gas competition in Britain has altered the structure of the market. Under the long-term take or pay contracts, many of which were signed in the 1980s, British Gas is obliged to pay for supplies it no longer needs at prices substantially above the market level. It has launched a strong lobbying effort with the government to bring pressure on its suppliers for renegotiation.

Clock change 'may happen in 1997'

By John Kampfner, Westminster Correspondent

The UK could move to West European time by the end of 1997.

Under parliament's arcane procedures, Mr John Buttefill, Conservative MP for Bournemouth West and a prominent advocate of moving Britain one hour forward to synchronise with neighbouring countires came top yesterday in the annual ballot for private members bills.

Usually up to the first six successful members stand a good chance of having their legislation adopted.

Many backbenchers put their name in the hat without having a clear indication of which cause to sponsor. However, Mr Butterfill is among 160 MPs, split evenly among the parties, who are backing the time change.

Mr Butterfill said he did not expect the government would block his legislation. "If I were a minister, given the opinion polls that show overwhelming public support for and the number of institutions on our side, I wouldn't try to stop it," he said.

He maintained his bill had nothing to do with EU harmonisation. "The last thing I want is for this to be portrayed as a European measure. There are many more compelling arguments," he said.

Business groups say dealings with European partners will be greatly enhanced by synchronising times.

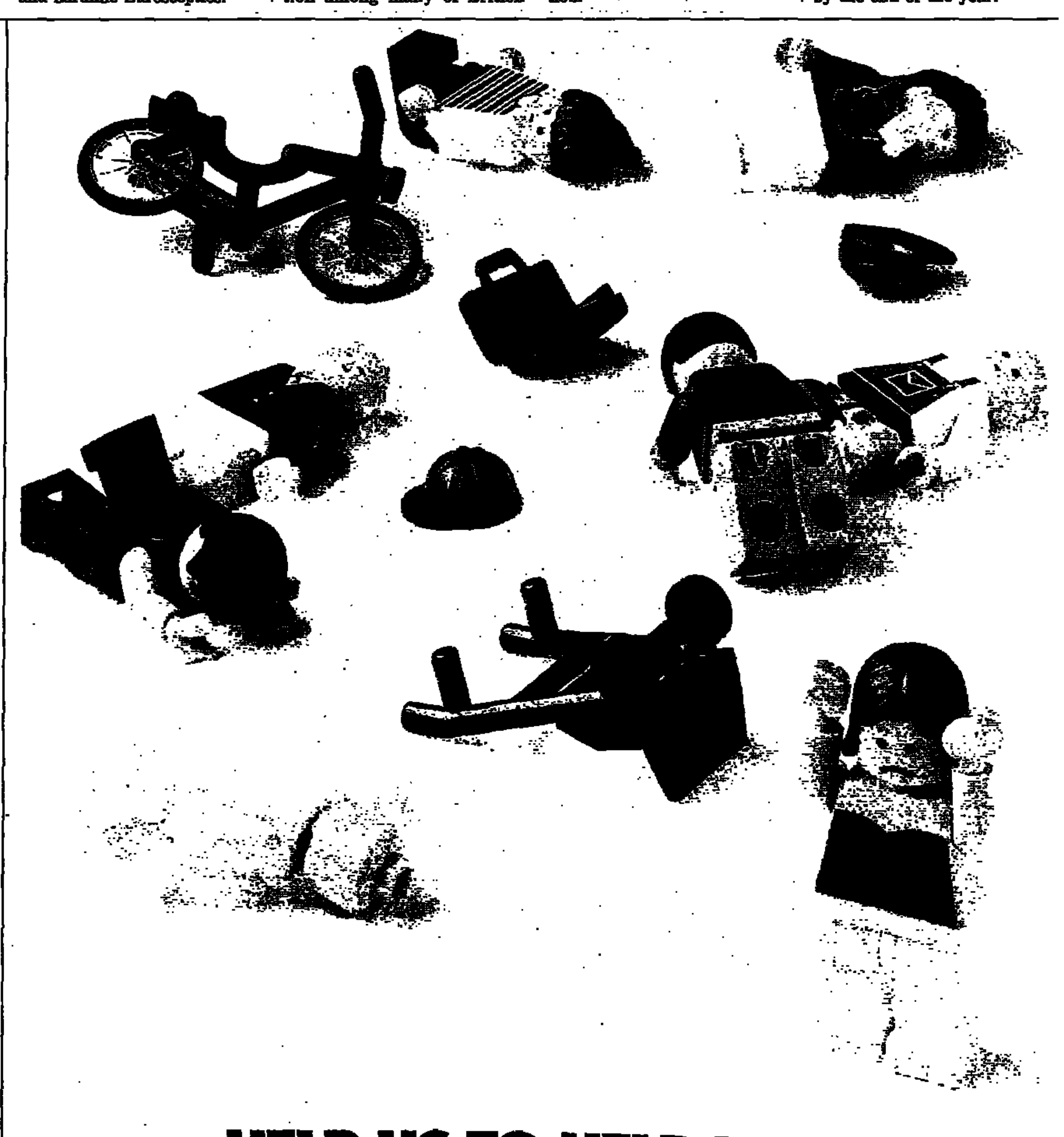
The Daylight Extra campaign, which has been pushing hard for such a bill since a green consultation was introduced in 1989, said the measure had private support of the prime minister and senior cabinet colleagues. Publicly, the Home Office and its Labour shadow have adopted a "wait and see" approach.

Mr Patrick Kerr, of Daylight Extra, said the name of the new time zone for Britain was immaterial. "If they don't want to be associated with Central European Time, it can be called anything else," he said.

He anticipated the most likely date for a transfer would be October 1997, when British clocks would simply remain on summer time and not return to Greenwich Mean Time. The following March clocks would go forward, as usual, resulting in "double summer time".

Advocates say the reform would prevent road accidents and estimate energy savings of £200m and a further £1bn gained from additional tourist spending.

Opponents are likely to fall into three main categories: MPs with largely agricultural constituencies, many Scottish MPs, where darkness would be most pronounced in mornings, and hardline Eurosceptics.



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Power sector takeover probe hits shares

By David Wighton

Mr Ian Lang, the UK trade and industry secretary, threw the electricity sector into turmoil yesterday by referring National Power's £2.8bn ($4.36bn) takeover bid for Southern Electric and PowerGen's £1.9bn offer for Midlands Electricity to the Monopolies and Mergers Commission.

The unexpected move caused share prices to fall across the sector, in spite of speculation that Southern and Midlands, two of the largest electricity supply and distribution companies, may attract rival bids before the MMC reports by the end of March.

Some analysts suggested they might reactivate previous plans to merge with each other.

Analysts said a number of US companies might consider bidding for Midlands or Southern, but that prices of future bids might be affected by the uncertainty caused by the MMC referral.

All previous bids in the sector have been cleared by the government, in spite of widespread calls for MMC referrals, leading to the assumption that ministers were relaxed about the restructuring of the industry.

But Mr Lang said the bids by generators raised "competition concerns in the generation and supply of electricity in England and Wales which merit investigation by the MMC".

Professor Stephen Littlechild, the industry regulator, welcomed the decision to refer the bids which would reverse the separation of generation and distribution introduced at the time of privatisation. He said the Department of Trade and Industry, which cleared Scottish Power's bid for Manweb, was not being inconsistent since Scottish Power had a limited share of the generation market in England and Wales. The Office of Fair Trading recommended that the bids be referred.

Mr Lang said the decision to make a reference did not in any way prejudge the question of whether or not either merger might operate against the public interest. He added: "In general I do not believe that vertical integration is inherently objectionable whether in the electricity industry or elsewhere.

However, in these two cases, the structural change proposed could have an effect on the development of competition in the industry."

The generators argue that under their ownership the two regional electricity companies (recs) would be much stronger competitors in the deregulated domestic electricity market after 1998. They also point out that the recs would represent a relatively small proportion of their generation. But Prof Littlechild said the MMC would have to consider how the market share might develop and whether, by reducing the uncommitted market, it would deter new entrants into generation.

Labour, which had called for all the bids to be referred, said the decision was inconsistent. Mr Richard Caborn, Labour's competition spokesman, questioned whether the move was linked to the proposed privatisation of the nuclear generator, British Energy.

Brittan attacks 'paranoia' over monetary union

By Lionel Barber in Brussels

Monetary union in Europe is "more than ever likely to happen", Sir Leon Brittan, EU trade commissioner, said yesterday.

In a riposte to doubts expressed this week by Mr John Major, the prime minister, Sir Leon said Britain should not be "lulled into a false sense of security" that it was slipping from the agenda.

In a speech in London to the Federal Trust, a think-tank, he dismissed questions about France's capacity to join Germany in monetary union.

He described as a "paranoid conspiracy theory" the argument proposed by Mr Bernard Connolly, the Commission economist, who claimed in his recent book that France's true goal was to secure a more lax monetary policy for Europe.

Sir Leon urged Mr Major not to bow to pressure from Eurosceptics to rule out participation in a single currency in the lifetime of the next parliament.

"There is no advantage in deciding this issue prematurely. Indeed, our partners would think us crazy," he said.

Sir Leon also tackled Mr Major's argument that the launch of a single currency would split the EU between "ins" and "outs" with unforeseeable political consequences.

Sir Leon said it did not matter whether all member states were in the Emu core, on the outside, in the exchange rate mechanism, or outside. The issue was to ensure that no state could be accused of pursuing "beggar-my-neighbour" policies such as competitive devaluations.

The crucial determinant should be whether all countries were pursuing responsible macro-economic policies within a common framework. This was the case at the moment because all countries – including Italy and the UK, outside the ERM – are following convergence programmes under the Maastricht treaty.

● In London yesterday, six of the former Conservative Eurorebels met Mr Malcolm Rifkind, foreign secretary, to urge a firm line at the 1996 Intergovernmental conference, *Robert Shrimsley adds.*

They emerged saying they were "encouraged" by his response. One said: "He seemed to be taking on board what we had to say about the dangers ahead".

However, they acknowledged that Mr Rifkind had smoothed ruffled feathers among Europhiles when he met 40 Tories from the Positive European group, angry at the tone of Mr Michael Portillo's anti-EU speech at the Tory conference.

Employers' organisation warns chancellor over 'give-away' Budget

CBI cuts 1996 growth forecast

By Graham Bowley, Economics Staff

The Confederation of British Industry has cut its forecast for growth next year amid signs that manufacturers are gloomier about output growth than they have been for almost two years.

It now expects gross domestic product to expand by 2.5 per cent next year, revised down from 2.8 per cent, the CBI says in its quarterly economic forecast published today.

But it said that inflation is now less of a worry – it expects the government to come close to its 2.5 per cent inflation target by the end of 1997 and predicts that interest rates will fall at the beginning of 1996.

However, it warned that a give-away Budget next week could jeopardise the inflation target. If the government gives away more than the £3bn ($4.68bn) it expects in Budget tax cuts, without making matching cuts in public spending, the CBI said that interest rates might have to rise, which might still not be enough to get inflation on target.

Ms Kate Barker, the CBI's chief economist, said: "With the recent slower rate of growth now expected to persist over the next few months, inflationary pressures in the economy have lessened. The balance of risks points more to concern over weaker growth than over higher inflation."

Ms Barker blamed the downward revision to next year's growth forecast on weakness in the construction industry as well as a slowdown in manufacturing output as companies begin to unwind their stocks of unsold goods.

But she warned that if the shake out in stocks by companies is more marked than expected, the economy could slow even more in 1996.

The CBI's latest monthly industrial trends survey for November, also published today, confirms that the manufacturing upturn has slowed in recent months with domestic and overseas demand for companies' goods slackening.

The balance of manufacturers expecting output to increase over the next four months over those which expect it to decrease is at its lowest since December 1993, the survey shows.

Domestic demand for companies' goods is at its lowest since March last year, while overseas demand continues to be less buoyant than it was earlier in the year. The balance of those companies reporting export order books above normal over those reporting them below normal was the lowest since June 1994.

More companies plan to increase domestic prices over the next four months than reduce them, but this is due to seasonal factors, the CBI said. Mr Sudhir Junankar, CBI economist, said: "Competitive pressures in the home market continue to restrain the ability of firms to push up prices."

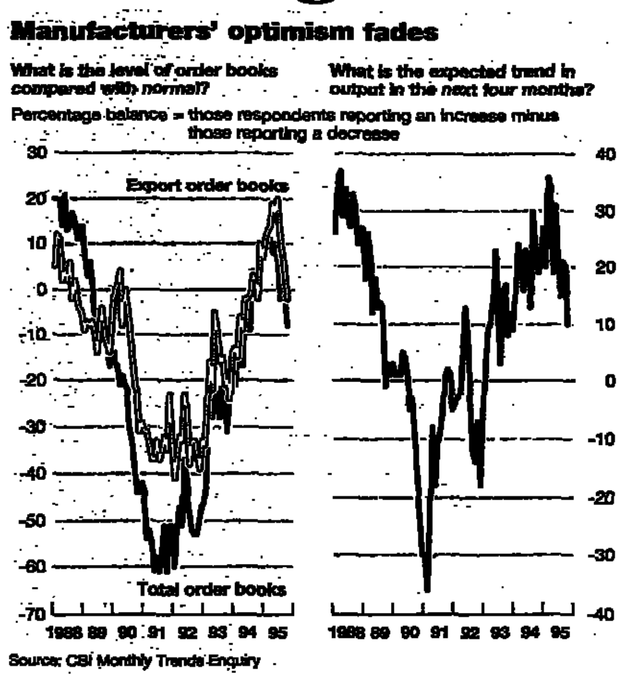
Companies again said their stocks of finished goods remain more than adequate to meet expected demand. The balance of those reporting more than adequate stocks has changed little in recent months.

But the CBI is more optimistic about growth for 1997 – it expects gross domestic product to expand by 2.8 per cent, with growth underpinned by strong consumer spending and helped by modest personal tax cuts and a pick up in real earnings.

Manufacturing output is forecast to grow by 2.8 per cent in 1996, accelerating to 3.9 per cent in 1997. Manufacturing investment, however, is expected to ease over the next two years – after growth of 9.3 per cent next year, manufacturing investment is forecast to grow by 4.7 per cent in 1997.

The CBI expects interest rates to fall to 6.25 per cent at the beginning of next year. Underlying inflation, which excludes mortgage interest payments, is expected to be 2.9 per cent by the end of 1996, falling back to 2.7 per cent by the end of 1997.

Manufacturers' optimism fades



Source: CBI Monthly Trends Enquiry

UK NEWS DIGEST

Major rebukes minister over royal comments

Mr John Major yesterday delivered a public rebuke to Mr Nicholas Soames, the armed forces minister and friend of Prince Charles, for suggesting the frank television interview by the Princess of Wales was evidence of "paranoia".

Pressed by Labour MPs to discipline Mr Soames for usurping the prime minister's responsibility for constitutional matters, Mr Major told the Commons at question time there would be "no more comments" from the colourful minister.

A senior Downing Street official said the prime minister retained "full confidence" in Mr Soames's ability to do his job, which gives him day-to-day control of the army, navy and air force. However, it emerged that the prime minister had told Mr Soames – a grandson of Sir Winston Churchill – not to say any more about the *Panorama* interview on Monday, in which *the princess admitted adultery, cast doubt on the prince's* suitability for the throne, and spoke of the royal household as her "enemy".

Downing Street said the prime minister was not told in advance of Mr Soames's invitation to comment shortly afterwards on the BBC *Newsnight* programme, during which he said the princess had displayed "advanced stages of paranoia". Downing Street has tried in recent days to distance itself from the furore surrounding Mr Soames's remarks by insisting that the minister was speaking in a personal capacity as a friend and adviser of the Prince of Wales. *Kevin Brown*

BBC fears further cuts

The BBC *increasingly fears that* the government plans to reopen its three-year financing agreement with the BBC World Service with the aim of making further cuts in the organisation. An agreement covering the 1994-97 period was announced in November 1993 after negotiations between the corporation and the Foreign Office.

The present settlement of £136m a year for broadcasting operations – £160m when capital projects are included – does not allow for inflation. As a result the BBC already estimates it will lose £10m in real terms over the three years.

The World Service, funded by government grant, has more than 133m listeners worldwide. In 1993 408 MPs signed an early day motion protesting at threatened World Service cuts, the third highest total for EDM signatures in parliamentary history. In July, the World Service announced a number of programme cuts to meet the funding shortfall. *Raymond Snoddy*

Chemical industry downbeat

The Chemical Industry Association yesterday downgraded its forecasts for growth in the industry while attacking Central Statistical Office figures which it said were too unreliable to be useful at a sectoral level. Chemical output was expected to grow by 3.5 per cent in 1995, the association said, but the rise reflected the low level of output during the first half of last year, rather than any growth this year.

Since the first quarter, output had been flat, and it was expected to fall in the final quarter. However, a 2 per cent increase in output was expected next year, driven by export growth.

There was also likely to be some acceleration in job-cutting, the association said. Unit labour costs had risen this year, with average earnings rising by more than 4 per cent this summer, against flat output. *Jenny Luesby*

Received wisdom says you must go along with Japanese customs. Not anymore, says **William Dawkins**

When in Japan...

It has long been held that the best way for a foreign company to sell goods in Japan is to become an insider – to fit in, like it or not, with local business customs.

But this is one of many Japanese management clichés thrown into question by the country's four years of economic stagnation.

Japan's Byzantine multi-layered distribution system, one of the costliest factors in selling goods there, is the area which has changed fastest – benefiting both foreign and Japanese companies.

"The recent market changes represent important opportunities for US and European companies competing in Japan. No longer constrained by the need to behave like insiders, they enjoy a wider choice of strategic options," says a recent study* by McKinsey, the US management consultants.

A host of companies can testify to the truth of this. They have started selling direct to retailers and this, along with the yen's strength, has enabled them to undercut domestic competitors and gain a share of what used to be one of the industrialised world's most closed markets.

The most audacious challenge to the distribution system came last month from Monsanto, the US chemicals company.

After two years of painstaking risk analysis and preparation, its Japanese agrochemicals arm removed a layer of distribution in the delivery of herbicides to rice farmers and cut prices for its main product, Roundup, by 20 per cent.

This meant disturbing Japan's most complex and politically sensitive distribution system – it is a mainstay of support for the Liberal Democratic Party.

Steven Hayford, senior managing director of Monsanto Japan's agricultural group, admits that he will not know whether the gamble has paid off until farmers start buying herbicides next spring.

But before the recession sharpened farmers' appetite for cheaper supplies, nobody would have dared even think of taking such a step. "Our staff here had always told us that Japan was different. We starting asking ourselves why," says Hayford.

Monsanto's US headquarters had been pressing for a rethink for years. It was impatient with its 30 per cent share of the Japanese market for non-selective herbicides. Roundup has 80 per cent of the market in other leading economies.

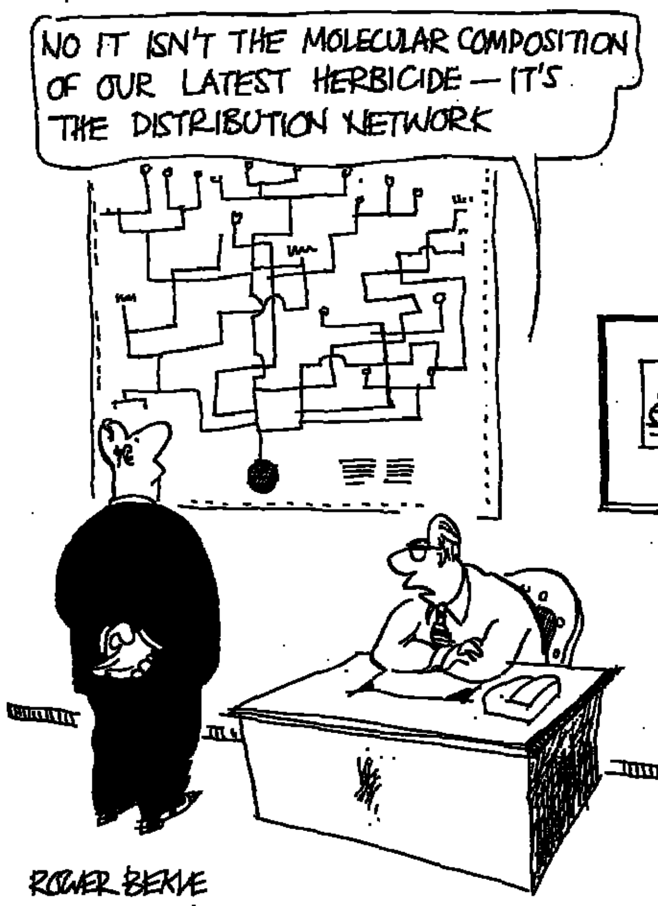
The trigger for change came three years ago when both of Monsanto Japan's main agrochemical distributors – the first link in a five-stage delivery chain – said they could not meet their sales target because they were carrying excess stocks.

The company surveyed its customers to find out what had gone wrong. It discovered that the farmers knew less about Roundup's latest applications than farmers in other markets, that they wanted cheaper herbicides and that they wanted to continue buying from the two main outlets: retailers and agricultural co-operatives. Monsanto also realised that the distributors were choked with stock partly because it had been force feeding them, with incentives to buy.

The company concluded that it needed to shorten the chain between itself and the outlets to stay in touch with farmers' changing needs. Further discussions – 91 meetings in all – with the powerful Zenno, the national federation of agricultural co-operative associations, supported that view.

Monsanto decided to cut out the two Japanese agrochemical company distributors at the head of the chain, which mainly repackaged Monsanto's products under their own names or used its chemicals to reformulate their own products. It also reduced the number of wholesalers from 360 to 60.

"They were very upset. They even went to complain at our US headquarters – and we went with them," says Hayford. But Monsanto's headquarters backed the Japanese office's decision to sell direct.



As a result, the group faced legal action from the unhappy distributors for inadequate notice of termination of their agreement. The US company agreed in a Japanese court to pay undisclosed costs and compensation.

The other big cost was retraining half of Monsanto's 70 Japanese staff to switch from being office-based agricultural technicians to becoming travelling sales and marketing people.

The aim, achieved after a two-year training programme which cost around Y35m (£220,000) was to create sales staff who could deal directly with the agricultural co-operatives and Monsanto's remaining wholesalers. Twelve staff who felt unable to switch roles were replaced and helped to find jobs in other companies.

To motivate the staff, the company split them into 18 groups of three to five employees, each allocated hefty sales-linked bonuses. These ranged from Y500,000 to Y3.4m last year, when the new staff structure came into operation.

Monsanto also started rewarding wholesalers for laying on demonstrations of Roundup, and trimmed the exchanges of gifts and afternoons of golf which traditionally oil the wheels of the Japanese agrochemicals market.

The company is taking a great risk, admits Hayford. "But, then again, I can't tell you how much fun it has been."

The new sales distribution strategy took effect last month after a year in which sales to farmers rose an estimated 5 per cent – evidence that, in spite of the legal fuss, Monsanto has at least not been boycotted by its customers.

Hayford believes the distribution system was ready for some kind of consolidation, as two links in the chain, the Zenno and its 47 prefectural offshoots, the Keizanren, have for years been debating a merger.

Not surprisingly, Monsanto's main competitors in Japanese agrochemicals, Zeneca of the UK and AgrEvo, a plant protection joint venture between Schering and Hoechst, the German pharmaceutical and chemical companies, are taking a close interest. Zeneca has opted to seek to maximise the benefits of the old system, while AgrEvo has gone for a mix of direct delivery and sales through Japanese agrochemicals producers.

The jury is still out on which strategy will work best in the long term, but one thing is clear: as McKinsey says, it is no longer received wisdom that when in Japan you have to follow Japanese business methods.

**Cracking Japanese Markets, The McKinsey Quarterly 1995 Number 3.*

The search for a better fit

Andrew Campbell and Marcus Alexander examine the importance of 'relatedness' between companies

The current round of corporate demergers is seen as a management fad by some, and a recognition of past blunders by others. It is not necessarily either.

Heralded by ICI's courageous demerger, and boosted by AT&T's recent decision to split into three, a new logic is emerging.

This logic for corporate strategy cuts through discredited notions of "portfolio balance" and growth for growth's sake. It challenges the validity of "relatedness" between businesses as a sufficient justification for inclusion in the portfolio. It undermines many definitions of what is "core". Most interesting, it recognises that what was appropriate in one phase of development can become equally damaging in another.

As this line of thinking gathers adherents, it is encouraging many of the world's best-known companies to review their portfolios fundamentally.

Two recent decisions illustrate the new thinking that is emerging – Tarmac and Wimpey's swap and 3M's restructuring.

At first glance, the rationale for swapping the ownership of housing (to Wimpey) and quarrying and contracting (to Tarmac) is questionable. Housing and contracting offer few possibilities for making economies of scale, and market share leadership confers no great advantage. In quarrying, it is beneficial to be strong in one locality, but far less so at a national level.

So why has the commentary on this deal been so positive, and why have the shareholders pushed up the value of Wimpey by 20 per cent and Tarmac by 15 per cent?

The answer lies in the growing realisation that corporate managers should only retain or acquire businesses that respond well to the parent company's skills and culture. Synergy – the supposed benefits from grouping related businesses in the same portfolio – will emerge only if there is a fit between the nature of the businesses and the parent company's skills and culture.

By swapping their businesses Tarmac and Wimpey are improving this fit. Tarmac's roots are in road building, its culture is dominated by the quarrying and contracting businesses and its chief executive has come up through this side. Wimpey's roots are more firmly in house building.

Moreover, house building and contracting are not natural bedfellows. The risks are different – land buying versus fixed price contracts. The cultures are different – consumer market versus industrial market. The challenges are different – speed of construction and cost/value management versus project negotiation, project management and customer relations.

By specialising at the parent company level, Tarmac and Wimpey are likely to achieve a better fit between the needs of their businesses and the parent's skills and culture. Shareholders and managers alike are expecting this to result in better performance.

Corporate managers should only retain or acquire businesses that respond well to the parent company's skills and culture

3M's restructuring is also best understood in the context of the new thinking about corporate-level strategy. 3M has always been highly diverse, with products ranging from roofing granules to post-it-notes. It is regularly landed for its management quality, and is used as a world-famous benchmark in innovation.

3M's success has come from focusing on business niches where technical superiority makes it possible to earn high margins and invest in further technical developments.

Over the years, 3M has built a complex management culture that decentralises to product divisions of a manageable size, gives technical directors a status they do not have in other companies, promotes technical sharing across divisions, encourages a close liaison between technical and sales personnel, and helps the hierarchy make the tough decisions about which developments to support and which to turn down.

So why has 3M failed to succeed in audio and video tapes, products they used to dominate and technologies they were world leaders in? And why is 3M demerging its data storage and imaging business?

The answer lies in the misalignment that had developed between the priorities in these businesses on the one hand, and 3M's senior management skills, organisation culture and management philosophy on the other. 3M had become a bad parent for these businesses in the same way that ICI had become a bad parent for Zeneca.

The audio and video tape business changed from being a niche market dominated by technical leaders to a mass market where manufacturing, distribution and selling efficiencies were the key to success. 3M is good at nurturing and supporting technically-driven businesses; it is less good at giving appropriate leadership to efficiency-driven businesses.

The data storage and imaging business also changed as it grew, but in a very different way. It is still a technical business, but the speed of technical change and the size of the technical investments have increased, calling for a faster-paced, technical commitment than 3M is used to providing.

The new logic can therefore identify when business and parent are growing too far apart. It would also have warned against attempts to unite Sony/Columbia or BAe/Rover.

Against the power of this new thinking, previous drivers of corporate strategy are buckling. The validity of balance, size, relatedness and sacred cows about what is "core" are being challenged. In their place managers are taking a cold look at the fit between their own skills and the needs of the businesses they command.

The authors are directors of Ashridge Strategic Management Centre.

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Exemplary tale of two cultures

David Murray on a unifying operatic enterprise in Belgium

Yes, there *is* a Flanders Opera, and it is worth knowing about. All season long, the company travels with its guest stars between Ghent and Antwerp, opening each new production in one city for several performances and then repeating it in the other. Their repertoire is both sensible and adventurous, their standards high; and at least for London opera-lovers those lively and attractive cities, proudly laden with visible history, are nowadays only a short hop away.

In effect, the Flanders Opera is the Flemish-Belgian response to the more famous French-Belgian "La Monnaie" house in Brussels. Until quite recently the histories of the separate Flemish companies in Ghent and Antwerp were chequered through being *too* separate (not enough budget for either house), and by their rigid traditions of singing everything in Dutch – which ruled out most foreign singers – or else in French, which annoyed the increasingly nationalistic Flems.

But they amalgamated in 1982, to promising financial effect; and by the early 1990s they agreed that every opera would be sung in its original language. No strain for the Flems, so many of whom acquire German, English *and* French as a matter of course! – and anyway there are always Flemish surtitles, and regularly a new opera composed in their native tongue. The result is a strong, outward-looking company, very consciously in competition with "La Monnaie", and whose best achievements may compare with the best of our Opera North and the Welsh National Opera.

In Antwerp this week I heard them revive Erich Wolfgang Korngold's *Die tote Stadt* (1920), which for a time counted as an icon of "modern" Teutonic opera after Richard Strauss and amassed an impressive track-record. The great Maria Jeritza and Lotte Lehmann sang it with *éclat*, and Richard Tauber too. It was the fourth stage-piece by its precocious, much-hyped composer (1897-1957) – who soon removed himself to Hollywood for the rest of his life. His fluent gifts proved ideally suited to film-scores, and they made his fortune fast.

Die tote Stadt, however, was wholly of its "decadent" *fin-de-siècle* time. Under a pseudonym, young Korngold and his proud father devised their libretto from a novel by the Belgian poet Georges Rodenbach, a *Symboliste* like Maeterlinck, from whom Debussy got his *Pelléas* text. Rodenbach's *Bruges-la-Morte* was a study in symbolist fatalism. In the museum-city of Bruges a young widower yearns after his lost Marie amid the foggy canals and the shadows, seems to find her again in the dancer Marietta, and has to live through a fantasy of rejection and murder to escape the pull of his dead wife and the dead city.

The Flanders staging by Götz Friedrich, mostly faithful (but for an extra murder) and unusually literal, is a co-production with the Deutsche Oper Berlin. Andreas Reinhardt has designed a grand, gloomy Hammer-horror retreat for the grieving widower Paul, and a deathly vista of Bruges – mist, water, arrested decay – for Act 2.

The role of Paul is a cruel challenge, for Korngold seems to have expected an heroic tenor who could sing under pressure for improbably long stretches. Flanders has the seasoned American tenor William Cochrane, who strives manfully to keep up despite a heavy beat in the voice when the going gets tough. His Marietta/Marie – the same soprano sings both the dancer and the spectre – is the American Cynthia Makris, bright and penetrating, if a touch hard.

The lower voices of David Pittman-Jennings and Ans van Dam serve admirably in the main secondary roles, Paul's confidante and housekeeper, and in the small lyrical part of a Pierrot in Act 2 Michael Kraus displays a lovely, reedy baritone. The Flemish choristers, including a band of children, are fine, and so is the expanded orchestra under Stefan Soltesz.

All in all, Korngold's lush period-piece gets a very decent run for its money, and collectors at least will be glad to catch up with it. An ideal *Tote Stadt* cast would be nice, of course, but that would be hard to assemble these days: tenors, in particular, would be reluctant to risk their vocal cords for the sake of a few performances, for this opera is unlikely to enjoy widespread revivals.

Die tote Stadt really is a weird curio, full of practised Straussery – the whispering *divisi* strings, the oracular brass, the melting horn solos, a perpetual glitter of harps and glockenspiel: blander than Strauss when the chips are down, but grinding into irrational discords for spook-effects. It was thought to be more "modern" than it ever was. In fact Hollywood was the natural destination for Korngold's talent, and he made the most of it there.

Further performances in Antwerp to December 2, then in Ghent between December 9 - 20; the rest of this year's season includes *Parsifal*, *Cosi* and Tippett's *King Priam*.

William Cochrane and Cynthia Makris in Flanders Opera's 'Die tote Stadt'

Concert/**Stephen Pettitt**

Purcell back in Westminster

This was not so much The Purcell Tercentenary Concert as the Purcell Tercentenary Show, live from the studio. It was impossible to see or hear properly the various groups of musicians scattered around the church. But Westminster Abbey is some studio, and I rejoiced to be there. This was the day, after all, on which 300 years ago Henry Purcell died. This was the place where he worked as choirboy and organist, where he lies buried. And this was the evening, surely, when the nation finally acknowledged his greatness for good and all.

That it should do so in the context of a wide-ranging programme of British music that attempted to show a measure of Purcell's influence seemed right. The evening began with the splendid new *Fairest Isle Fanfare*, tinged with Purcellian harmonic stridency, by Jonathan Dove. There was the New London Consort, directed by the Abbey's Organist, Martin Neary, in Purcell's vivid incidental music for Aphra Behn's *Abdelazer*, which famously includes the music upon which Britten wrought his variations in *The Young Person's Guide to the Orchestra*, played later by the BBC Symphony Orchestra under Andrew Davis.

The fine Abbey Choir offered a taste of the music with which Purcell grew up – Orlando Gibbons's anthem "Hosanna to the Son of David" and William Byrd's "O Lord, Make Thy Servant". And Purcell's magnificent verse anthem "My heart is inditing" and Handel's coronation anthem "Zadok the Priest" showed how much the younger composer's sonorities owed to those of the older man.

Quite what Purcell would have made of Elgar's extravagant arrangement of another verse anthem, "Jehova, quam multi sunt hostes", given by the the BBCSO, the BBC Symphony Chorus, organ and soloists Robin Leggate and David Wilson-Johnson, is anybody's guess. Wilson-Johnson had earlier joined Catherine Bott, James Bowman (all in fine voice) and, in "Hark the Echoing Air", the trumpeter Mark Bennett, in a group of four songs, the genre in which Purcell showed himself to be the Schubert of his day, master of private sentiment as well as public.

Later, the same singer returned with the Nash Ensemble for the world premiere of a new work by Sir Michael Tippett, the "Song for Caliban". This modest piece fits into *The Tempest Suite*, music recently extended and arranged by Meirion Bowen from incidental music Tippett wrote for the Old Vic in 1961. The fast and furious "Trumpet Tune with Boogie" made an effective introduction to the new song, a setting on a ground bass of the words "Be not afeard, the isle is full of noises". The music is slow, the instrumentation magically atmospheric, the vocal line as eloquent as anything Tippett has penned. It was beautifully played and sung.

But the last notes of the evening had to be Purcell's. Bowman delivered the wonderful "Evening Hymn" with poignancy and impeccable control. There could have been no more appropriate, nor moving, a tribute to the man than this, possibly the supreme expression of leave-taking in all music.

★

■ My apologies to Fiori Musicali, whom I failed to credit in my review of the St Cecilia's Festival yesterday.

Theatre/**Simon Reade**

Holocaust Trilogy

Ruth Posner, a survivor of the Warsaw ghetto, plays Theresa Steiner with great dignity in *Theresa*, the first of Hampstead's New End Theatre's *Holocaust Trilogy*. A Viennese *conservatoire* music professor, Theresa is exiled to England after *Kristallnacht*, first as a scullery maid, then as a nanny. She escapes the Blitz for Guernsey but cannot retreat to mainland Britain when the Germans invade and is betrayed to the Nazis by the Islanders.

This horror at the complicity of the Channel Islanders, prompted writer and director Julia Pascal to explore the systematic destruction of European Jews in this series of plays she revives. Her style often betrays the catalyst: unsynthesised primary source vies with dramatic fiction in *A Dead Woman on Holiday*, for instance, a love story desperately trying to blossom in the context of the Nuremberg Trials.

Sophia Goldenburg (the beautiful, chic Claire Marchionne) reverts to her maiden name to advertise her Jewishness. She is thrown into an affair with a fellow interpreter at the trials, an American husband and father (grittily played by Kevin Farran). Both their worlds are shattered irretrievably while interpreting the atrocities, and they cannot find solace in their passionate affair. Overwhelmed by the horror, Sophia pleads "Hitler is dead, isn't he?".

The simultaneous translators' cacophony is the best manifestation of Pascal's otherwise irritating *Euro-pudding, repeating and overlapping* most lines in her plays in more than one European language. Another trick which works once or *twice but palls when employed for* the umpteenth time, is the cold blue footlights which cast Expressionist shadows on the back wall of the bare black-box stage. There is, however, a highly charged recurring sound-image of the death-rattle of a train shrieking towards Auschwitz (designers: set, Thomas Kampe; lighting, Ian Watts; sound Colin Brown). Much of the acting delves deep into emotional truth. Left to their own devices, when not being swamped by theatrical ones, their stories have the cathartic effect of Greek tragedy.

This is true of *The Dybbuk*. Pascal places it thoughtfully in the Warsaw ghetto, the besieged Jews valiantly re-enacting their dramatic totem in a God-less world. She also, with nice lucidity, frames it within the present day: a contemporary girl says how she is haunted by "so many dybbuks", the souls of Holocaust victims. "I go to Germany and think Hitler won. Where is my generation?" – she sees no Jews on the streets of Germany 1995. The final image is harrowing: people walk towards us, peeling away as they are shot or gassed. It is some time before we can bring ourselves to applaud.

Pascal commands the loyalty of an international acting company. As an event the evening may disappoint – seemingly ambitious, the trilogy uses three separate casts rather than one homogenised *ensemble. But the plays, seen individually*, are an intensive, if bleak celebration of the strength of humanity in adversity.

The Holocaust Trilogy plays in repertory at the New End Theatre, Hampstead, until December 10 *(0171-794 0022)*.

Opera/**Richard Fairman**

'Turandot' at full volume

Wanted: one music director. Previous experience desirable. The departure of Sian Edwards has left English National Opera looking unsure where it is going at a point when the current management should be well set upon its course. Somehow there is a sense of desperation when a post like this is advertised in the national press.

As chance would have it, one of the possible candidates was in the pit for the company's newly-acquired production of *Turandot* on Wednesday. David Atherton has done sterling work in the 20th-century repertoire for ENO (none better than his electrifying *Peter Grimes* last season) and has a solid grounding in opera on his side. It was not surprising to find that his Puccini sounded 20th-century too. There was no comfortable cushion of sound or sentimentality here; the music was spiky, aggressive, hard-edged.

It was also very loud. Placing the extra brass in the royal box was *enough to take a layer of paint off* the ceiling, as Atherton coaxed his players to give their maximum decibels – and then some more – at the *climax of each act. In the music of Turandot* Puccini plays a subtle balancing act, twisting beauty into pain as though they are two sides of *the same experience. Here the opera* seemed simply to be about surviving against overwhelming odds, even the chorus (on an untidy night) *facing a losing battle*.

The soloists have to give as good as they get. As Liù, Janice Watson faced the easiest task, being able to spin acrobatic high vocal lines on a sparkling thread of tone during the orchestra's moments of calm. Andrew Greenan, though he sounds too youthful, sang well as blind, old Timur. Roberto Salvatori, John Daszak and Anthony Mee were a well-knit trio as Ping, Pang and Pong. Nobody would envy a tenor the job of following in Pavarotti's *footsteps* with "Nessun dorma", but Edmund Barham trumpets his top notes proudly as he faces the princess's life-or-death riddles.

Was there a look of puzzlement on his face at that point? If not, *there should have* been, since this Turandot seemed to be posing the questions in a language unknown to man. A rather personal way with English vowels meant that the Austrian soprano Sophia Larson rendered most of William Radice's new translation *unintelligible, though the* technique doubtless helped her to produce such a huge, Coliseum-sized sound. Letting fly a voice like a *steel* girder, she might fairly argue, is part of Turandot's job description.

Downplaying her near superhuman role is part of what Christopher Alden's production seems to *be about*. At *her grand entrance* this Turandot walks on looking like a repressed school ma'am who has found Freud in the sixth-form *library and does not* like what she has read. His central argument is obvious enough, but it is filled out with a lot of gratuitous detail. Why *does Calaf have to undergo symbolic* rape at knifepoint? Why does the chorus keep falling about emoting, when they would be far better *off looking at the conductor?*

Apparently, ENO had hoped to present the David Hockney-designed production staged in Los Angeles, a visually mesmerising but very static affair. Borrowing Alden's production, designed by Paul Steinberg, from Welsh National Opera has yielded the opposite result. Set in a corrugated-iron bunker, it is intentionally unglamorous, but by linking the cruel drama of *Turandot* with various unspecified totalitarian regimes of the 20th century, the production promises a dramatic life, which it fitfully delivers.

This is a *popular* opera that has waited far too long to join the repertory at ENO. Now that it has arrived, it has at least come in a *performance that is determined to* make an impact and shouts it at the *top of its voice*. To many people *Turandot* will be a fail-safe evening *at the opera. If in doubt, be sure to* take a pair of ear-plugs.

Performances at the Coliseum until *January 16*.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Bekova Sisters: perform piano trios by Vaughan Williams, Brahms and Denisov; 8.15pm; Nov 27

■ BARCELONA

CONCERT
Palau de la Música Catalana
Tel: 34-3-2681000
● Orquestra Simfónica de Barcelona *i Nacional de Catalunya*: with conductor Jan-Latham Koening and saxophonist Miguel Bofill perform works by Poulenc, Benejam and Tchaikovsky; 7pm; Nov 25, 26 (11am)

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Kammerorchester Berlin: with conductor/violinist Katrin Scholz and flutist Silke Uhlig perform works by J.S. Bach, Shostakovich and Vivaldi. Concert in celebration of the 50th anniversary of the *Kammerorchester* Berlin; 7.30pm; Nov 27
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● *Philharmonische Streicher* solisten: with pianist Ayumi Ichino, violinist Toru Yasunaga and cellist Ludwig Quandt perform works by Richter, Mendelssohn, *Tchaikovsky* and Janácek; 8pm; Nov 26

■ BOSTON

CONCERT
Boston Symphony Hall
Tel: 1-617-266-1492
● Boston Symphony Orchestra: with conductor Robert Spano and the Beaux Arts Trio perform Druckman's "Nor Spell nor Charm", Sibelius' "Symphony No.6" and Beethoven's "Triple Concerto for violin, cello, piano and orchestra"; *8pm*; Nov 30; Dec 1 (1.30pm), 2

■ DRESDEN

OPERA & OPERETTA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Tristan und Isolde: by Wagner. Conducted by Christof Prick and performed by the Sächsische Staatsoper Dresden. Soloists include Wolfgang Schmidt, Theo Adam and Sabine Hass; 4pm; Nov 26

■ DUBLIN

OPERA & OPERETTA
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711533
● *Opera* Gala: with conductor Mark Armstrong, tenor John Hudson, soprano Virginia Kerr, bass Julian Konstantinov and special guests Dun Laoghaire and the Choral Society. *Performance of arias, duets*, choruses and songs by Verdi, Donizetti, Gounod, Boito, Gilbert & Sullivan, and others; 8pm; Nov 25

■ LAUSANNE

CONCERT
Salle du Métropole
Tel: 41-21-3122707
● Orchestre de Chambre de Lausanne: with conductor Okko *Kamu and trumpet-player Sergei* Nakariakov perform works by Nielsen, Hummel and Sibelius; 8.30pm; Nov 27, 28 (8pm)

■ LEIPZIG

OPERA & OPERETTA
Oper Leipzig Tel: 49-341-1261261
● Die Fledermaus: by J. Strauss. Conducted by Sieghart and performed by the Oper Leipzig and the Gewandhausorchester; 7pm; Nov 25; Dec 1 (7.30pm)

■ LONDON

AUCTION
Sotheby's; Parke Bernet & Co.
Tel: 44-171-4938080
● Impressionist & Modern Art Part I: highlight of the sale is Gauguin's "Femmes au Bord de la Riviere", which dates from the artist's first visit to Tahiti in 1891-1893. Also including works by Pissarro, Monet, Cezanne, Pechstein and Schiele; 7pm; Nov 27
CONCERT
Queen Elizabeth Hall
Tel: 44-171-9604242
● London Sinfonietta: with conductor Esa-Pekka Salonen, cellist Anssi Karttunen and oboist Gareth Hulse perform works by *Webern, Lutoslawski, B.A.* Zimmermann, Donatoni and Salonen; 7.45pm; Nov 27
Royal Festival Hall
Tel: 44-171-9604242
● War Requiem: by Britten. Performed by The London Philharmonic, with conductor Franz *Welser-Möst, and The London* Philharmonic Choir, conducted by Andrea Quinn. Soloists include Vivian Tierney, Anthony Rolfe *Johnson and David Wilson-Johnson*; 7.30pm; Nov 26
St. John's, Smith Square
Tel: 44-171-2221061
● *Weihnachtsoratorium* (Parts 1, 2, 3 and 6): by J.S. Bach. Murray Stewart conducts the London Forest Choir and London Pro Arte Orchestra. Soloists include soprano Carys Lloyd Roberts, countertenor Robin Blaze, tenor John Bowen and bass Lynton Black; 7.30pm; Nov 26
St. Martin-in-the-Fields
Tel: 44-171-8398362
● Mozart by Candlelight: the *Belmont Ensemble of London with* conductor Peter Gilbert-Dyson, violinist Lucy Ellen Spencer and viola-player Ashan Pillai perform *Mozart's Eine kleine Nachtmusik*, Sinfonia Concertante for Violin and Viola, Symphony No.29 and other works; 7.30pm; Nov 25
Wigmore Hall Tel: 44-171-9352141
● Shura Cherkassky: the pianist performs works by Beethoven, Liszt, Chopin, Tchaikovsky, Ligeti and Bach/Liszt; 4pm; Nov 26
THEATRE
Cottesloe Theatre
Tel: 44-171-6330880
● Richard II: by Shakespeare. Directed by Deborah Warner, starring Fiona Shaw and David Threlfall; 7pm; Nov 27, 28, 29 (also *1pm*), *30*
Olivier Theatre Tel: 44-171-6330880
● Volpone: by Jonson. Directed by Matthew Warchus and designed by *Richard Hudson. Featuring Michael* Gambon and Simon Russell Beale; 7.15pm; Nov 27, 28, 29 (also 2pm)

■ MADRID

CONCERT
Fundación Juan March
Tel: 34-1-4354240
● Moscow Quartet: with pianist Eugenia Gabrieluk perform works by R. Schumann and J.S. Brahms; *12am; Nov 25*

■ MUNICH

CONCERT
Philharmonie im Gasteig
Tel: 49-89-48098506
● Staatskapelle Weimar: conducted by Michail Jurowski, with pianist Cyprien Katsaris, violinist Sebastian *Gürtler and* cellist Tatjana Vasiljeva, perform works by Beethoven, Haydn and Mendelssohn; 8pm; Nov 25
DANCE
Nationaltheater
Tel: 49-89-21851920
● La Fille mal gardée: by Hérold/ Lanchbery in a choreography by Frederick Ashton, performed by the Bayerisches Staatsballett; 8pm; Nov 27

■ NEW YORK

JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● Dave Stryker: the jazz guitarist performs with The Bill Warfield Big Band; 9pm & 11.30pm; Nov 27

■ PARIS

CONCERT
***Salle Pleyel** Tel: 33-1 45 61 53 00*
● Orchestre et Chorale Paul Kuentz: with conductor Paul Kuentz perform Bach's Mass in B; 5.30pm; *Nov 26*
EXHIBITION
Musée d'Art Moderne de la Ville de Paris Tel: 33-1 53 67 40 00
● Arnold Schoenberg. Regards: exhibition of 44 paintings and 29 drawings by the composer Arnold Schoenberg. Most of the works - including many self-portraits - were made between 1908 and 1911; to Dec 3

■ STOCKHOLM

CONCERT
Konserthuset *Tel: 46-8-7860200*
● Filharmonikerna: with conductor Tõnu Kaljuste, the Filharmoniska Kören and the Hilliard Ensemble perform works by Pärt. Soloists include countertenor David James, tenors Roger Covey-Crump and John Potter, baritone Gordon Jones and pianist Sol Lucia Negro. One of the Pärtfestival performances; 3pm; Nov 25

■ WASHINGTON

OPERA & OPERETTA
***Opera House** Tel: 1-202-416-7800*
● Der Rosenkavalier: by R. Strauss. Conducted by Heinz Fricke and performed by the Washington Opera. Soloists include Helen Donath, Jeanne Piland and Eric Halfvarson; 2pm; Nov 26

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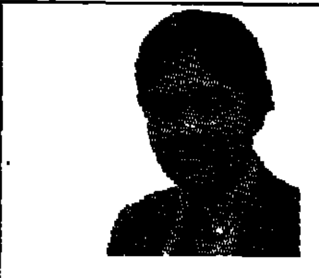
Financial Times Business Tonight

COMMENT & ANALYSIS



Philip Stephens

A pantomime horse

The Conservative party and prime minister demand the politics of illusion from Kenneth Clarke in the Budget

Just a few days to wait now for that great pantomime of British politics, the most trivially solemn event of the parliamentary calendar, the moment when the economics of delusion collide with the politics of illusion. I speak, of course, of the Budget.

Kenneth Clarke's package will set the seal on the most balanced economic recovery of the post-war years. It will mark the final break with the economics of boom and bust. It will win the Conservatives a fifth term. Or, if you stand on the other side of the political fence, it will be the ultimate admission of failure. The recognition that after more than 16 years, the Conservatives have nothing to offer save a few tawdry tax cuts. The voters' response to such arrogant trickery will be to put Tony Blair in 10 Downing Street. Baloney, all of it.

Think back over those 16 years. How many budgets come flooding back into the popular consciousness? There was 1981, I suppose. Geoffrey Howe's counter-cyclical tax increases have since become embedded in Tory mythology, another of those interminable turning points in the nation's economic fortunes. It was indeed an important moment, though only because the government simultaneously abandoned the simple-minded monetarism which wrought such devastation during the first Thatcher years. But this is hardly the stuff to stir memories in Basildon and Burnley.

One might have better luck with 1988. Remember the Lawson miracle? Tax rates down to 40p and 25p, plenty to spend on the welfare state, the Treasury so awash with cash that it could also afford to pay off the national debt, house prices in the stratosphere. Even if the party is now a distant memory, there are plenty around who have still not shaken off the hangover.

But 1988 was the exception. The apathy and cynicism towards politics revealed once again in this week's annual survey of British Social Attitudes have reduced budgets before and since to a blur of headlines about the price of a pint and a packet of 20. And no wonder. In the course of two budgets in 1993 the Conservatives unveiled the largest ever tax increases during peacetime. Now, even before Mr Clarke gets to his feet, they declare themselves the party of tax cuts.

So as the chancellor stands on the quicksand of the Treasury's latest economic forecasts, forget the nonsense about his words deciding the outcome of the general election. Of course, if he signed up to the quick-fix economics of most of his party's backbench MPs, Mr Clarke could turn the likelihood of a Conservative defeat into a certainty. But he won't. And as for winning the election, he has no better idea than you or I as to how the economy will perform during the next 18 months.

It is clear that the recent slowdown is more pronounced than seemed likely in the summer. Weakening growth rates elsewhere in Europe, a feeble export performance, the slump in the housing market, and hesitant consumer confidence have all contributed. But it remains much too early to suggest that the economy is heading back towards recession. A cyclical pause is still the most likely explanation.

> Left to his own devices, the chancellor would be faithful to his favourite dictum, that good economics and good politics are inseparable

During most of the recovery personal incomes have been more or less frozen, the ready explanation for the absence of the so-called feelgood factor among the voters. But even without tax cuts, those incomes will start to rise over the next year. And if British exporters cannot sell into European markets when the pound is below DM2.20, then there is no hope for the economy anyway.

In such circumstances, the sensible course is both orthodox and obvious. Mr Clarke should leave taxes and spending where they are and consider a cut in interest rates to underpin confidence in the recovery. After its humiliating interest rates climbdown in the summer, the Bank of England could hardly stand in the way. In any event, the Bank now seems ready to view the official 2.5 per cent inflation target as an average to be achieved over the lifetime of the cycle rather than one which must be hit at a single point two years' hence.

Here, I admit more than a sneaking admiration for Mr Clarke. He is no Treasury technician and he seems bored by the intricacies of macroeconomics. But he brings a profound and solid common sense to a government more accustomed to running scared of its own shadow. Left to his own devices, the chancellor would be faithful to his favourite dictum, that good economics and good politics are inseparable.

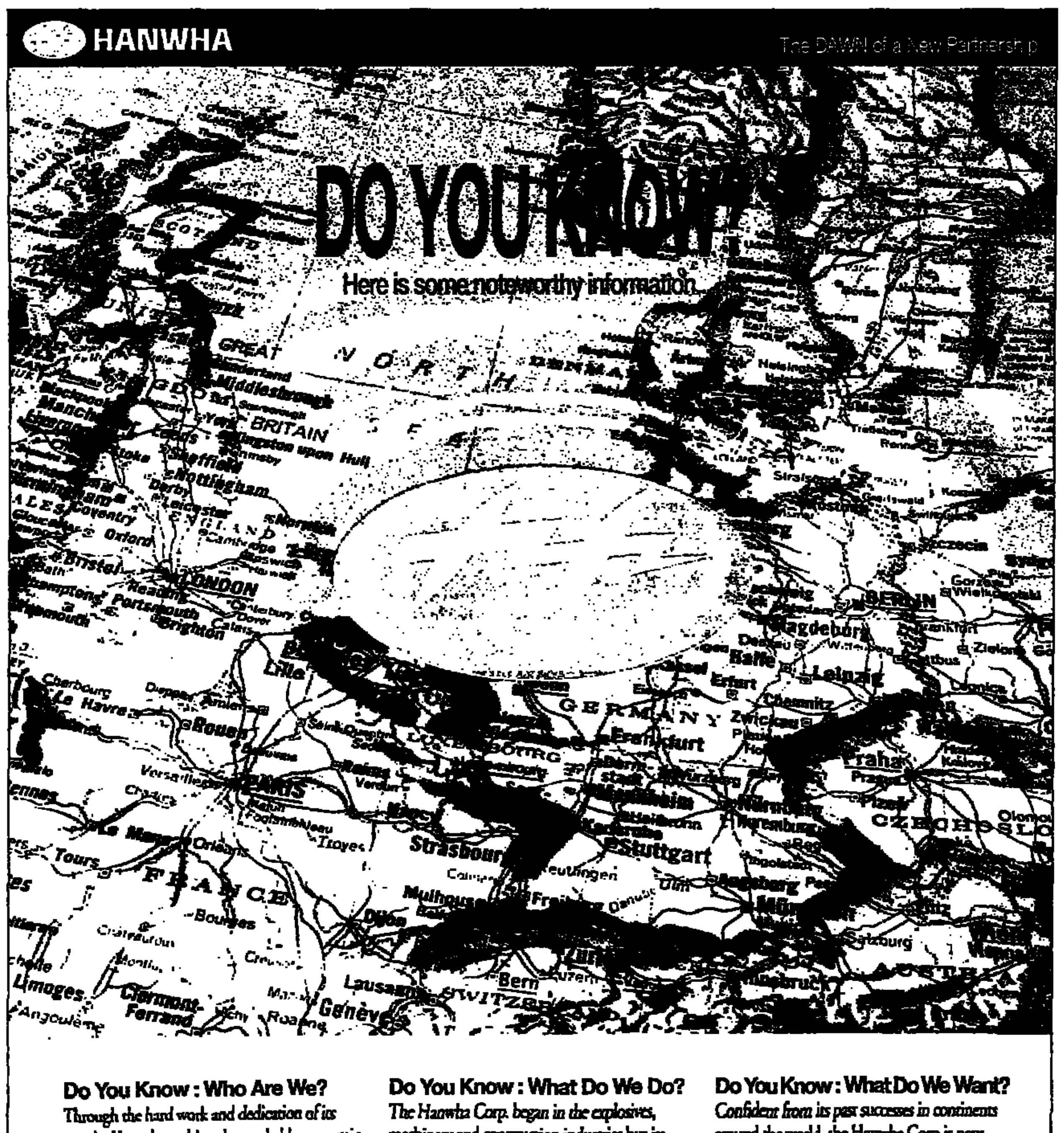
But his party and his prime minister demand the politics of illusion. Taxes must be cut, and somehow in a way which re-establishes the Conservatives' claim to represent the family and the homeowner. The No 10 policy unit is awash with expensive wheezes to put money in the pocket of each and every disgruntled Tory. If the financial markets will not tolerate a big rise in borrowing (and they won't), then the room must be found through lower spending and creative accounting.

I guess that Mr Clarke has rejected out of hand the wilder demands. He has his self-respect. So he will not propose on Tuesday to enshrine in legislation a multi-year programme of tax cuts. Unless I have completely misjudged him, neither will he listen to those demanding that the taxpayer finance another housing boom by increasing mortgage interest relief. His borrowing target will be higher than it need be, but not so high as to threaten compliance with the Maastricht criteria for a single currency. That may yet leave room for lower interest rates.

So the tax cuts (and a net reduction of £2bn-£3bn is a safer bet than the £5bn mentioned by some) will be paid for on what used to be called the never-never. The Treasury will dismantle what remains of the public sector's capital expenditure programme. New roads, hospitals and schools will be built henceforth under the private finance initiative.

The so-called PFI has been lauded by politicians of all parties. Gordon Brown, the shadow chancellor, seems even keener than Mr Clarke. In essence, the scheme provides for private contractors to meet the initial bill for a new by-pass or operating theatre and for the taypayer to repay the debt over the following 10, 15, or 20 years. But crucially, none of this shows up in the government's balance sheet. Unsurprisingly, Treasury mandarins are as appalled as the politicians are enthusiastic about the potential it provides to promise the voters something-for-nothing.

But all are apparently agreed that the electorate can be bought by putting a few extra pounds in their wallets. Mr Brown did not wait for Mr Clarke to speak before promising that Labour too would be ready to cut income tax. The Conservatives promise a 20p basic rate of income tax, New Labour offers a 10p starting rate. It is, we are told, good politics. No wonder the voters so easily forget.



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

Effective resistance

From Mr Gervase Cowell.

Sir, It has been my privilege for several years to be the custodian of the official files of the UK Special Operations Executive, the organisation set up to encourage, train and supply resistance in occupied Europe. This is an access which it is no fault of Paul Abrahams that he does not share. That such incidents as he cites in his article ("Bitter memories of the Resistance", November 11), did take place, that such opinions were held, is not to be denied.

The experience of war intensifies human nature in all its aspects. To conclude that this is all, or for the most part, what the resistance amounted to is a travesty of the truth. The military value of the resistance in holding up German divisions that were trying to reinforce the Normandy invasion, in pinning down on the Italian frontier those trying to cut across the lines of the Allies invading from the south, and in liberating many areas of France, was assessed by General Eisenhower as having shortened the war by six months.

It could not have been achieved without a movement in which, over many anxious years, bravery, self-sacrifice and supportive consent far outweighed the tawdry exceptions which this article seeks to present as its dominant characteristic.

Gervase Cowell,
SOE adviser,
Foreign & Commonwealth Office,
Old Admiralty Building,
London SW1A 2AF, UK

World community must act on Nigeria

From Baroness Williams of Crosby.

Sir, In the continuing discussion about whether or not there should be a boycott of Nigerian oil exports following the execution of Mr Ken Saro-wiwa and his colleagues it is important to remember that other distinguished Nigerians, including the former head of state, General Obasanjo, are still very much at risk.

It is therefore important to announce soon measures the international community would agree to take in the event of any further such actions in Nigeria. There is still, regrettably, disagreement about an oil boycott. Surely all Nigeria's trading partners could at least agree to confiscate personal accounts held overseas by Nigeria's ministers and of the president if that were to happen. It is crucial to act soon.

Shirley Williams,
public service professor of electoral politics,
Harvard University,
John F. Kennedy School of Government,
79 John F. Kennedy Street,
Cambridge, MA 02138, US

Robust insurance response

From Ms Marie-Louise Rossi.

Sir, May I assure readers that the London international insurance and reinsurance market is responding robustly and with success to the challenges outlined in your article ("Insurers in a risky position", November 20).

The non-marine insurance and reinsurance companies, which London Insurance and Reinsurance Market Association represents, account for some 60 per cent of this market which, far from contracting, has attracted several new participants this year. Furthermore, many of the 100-plus members, as well as announcing increased profits, have raised their capitalisation or taken other steps to increase the amount of London business they do. Two independent reports this year have confirmed London's continuing role as the world's premier international insurance market.

You rightly point to the need to reduce the industry's cost base. This is one reason why the association decided in principle to open its membership to underwriters throughout the EU and Switzerland, and its systems to business produced by European brokers. This will have the effect of using London's lead in IT to achieve further economies of scale and to ensure we remain a focal point for the industry worldwide.

Marie-Louise Rossi,
chief executive,
London Insurance and Reinsurance Market Association,
The London Underwriting Centre,
3 Minster Court,
London EC3R 7DD, UK

Poison pill at Credito Italiano

From Mr Enzo Berlanda.

Sir, In your Lex column ("Credito Italiano", November 22), you complain about a poison pill contained in the pact signed by Credito Italiano (Credit) and Carimonte Holding, main shareholders of Credito Romagnolo (Rolo).

I should tell you that on the same day Consob (the financial markets supervisor), acting on the basis of a staff report, requested Credit to disclose the terms under which Credit or Carimonte would have the right to buy the other's Rolo stake if holders of majority stakes in Credit or Carimonte changed.

As Italian law does not ban poison pills, Consob can do nothing more. If you had asked us, you would have realised that Consob was willing to oblige Credit to reveal such information.

Enzo Berlanda,
president of Consob,
Via Isonzo 19/d,
Rome, Italy

Right move on tips

From Mr J.C. Woodhouse.

Sir, The Earl of Bradford's proposal to eliminate restaurant service and other extraneous charges is a long-overdue breath of fresh air ("Earl's restaurant bill aims for tip-free tab", November 22).

Such a practice does not exist in France where general restaurant service standards are among the best in the world. The reason for this is partly cultural, but partly because legislation in France ensures that the proceeds of such charges are distributed among all relevant staff.

Such legislation should be part of the Earl of Bradford's proposal.

J.C. Woodhouse,
14 Bourg de Four,
Geneva,
Switzerland

Postman speeds link to German direct bank

From Mr Andrew Lockhart.

Sir, Being an Englishman in Frankfurt, I was rather overwhelmed by finding that Bank 24, the direct bank launched by Deutsche Bank, is as efficient and reliable in opening client accounts for retail customers via mail as one might expect from a German bank. Rather than having to make my way to the local post office, as your Observer suggests ("Don't call us" November 21), the postman came to my home to confirm identification and residency.

Hence, it took just 10 days from applying for an account to receiving full documentation from Bank 24. I hasten to add that my past experience with First Direct, Midland Bank's telephone banking subsidiary, in the UK was far less positive.

Andrew Lockhart,
Im Trutz 55,
60322 Frankfurt,
Germany

Technology and the changing nature of higher education

From Prof Chris Hutchinson.

Sir, Michael Prowse ("Endangered Species", November 20), rightly challenges current recurrent expenditure on all forms of education using the work of Perelman as a basis for his article. Perelman suggests that a significant up-front investment in new technology is needed if education is to meet its customer needs. Technology is only one part of the answer. As I have discovered through Southampton Institute's MBA course using computer conferencing via the Internet, the challenge is not the use of the technology but the changes which the change in learning brings to the pedagogic process.

Just as we have moved to providing education to homes and offices around the world so too will competitors have the opportunity to challenge higher education providers in the UK.

With such challenges the very nature of higher education will change. There is however little evidence that governments or academics have fully understood the potential impact that such challenges will have on structures and systems that have remained relatively unchanged for far too long.

Higher education will in the future be assessed by certification of competency and not by attendance. I hope that education policy and educators accept the challenges rather than become tomorrow's dinosaurs.

Chris Hutchinson,
director of corporate development,
Southampton Institute,
East Park Terrace,
Southampton SO14 0YN

From Mr R.R. Whitehead.

Sir, About the time this university was starting up printing was introduced into Europe. No doubt some prat of the time went about saying that, since anyone could now buy a book, the universities were finished.

Michael Prowse is confused by the differences between education, ability, and knowing lots of facts, or he pretends to be.

R.R. Whitehead,
Dean of the Faculty of Science,
The University of Glasgow,
Glasgow G12 8QQ, UK

Marketing · Shiraz Sidva

An Indian campaign

Liberalisation in one of Asia's largest markets has led to an advertising boom

When Kellogg's launched a breakfast cereal in India last year, it had to create a market where practically none existed.

Few Indians eat cereal for breakfast, but the US food giant was prepared to spend Rs15m (£276,500) on advertising in the first five months to convince them to change their food habits.

India's economic liberalisation programme, which began in 1991 after a severe financial crisis, has offered huge potential to foreign investors.

The country's advertising industry, which has grown at a steady pace of 20 per cent each year since 1991, has registered 35 per cent growth this year, with billings of more than Rs40bn. Analysts predict that billings will reach Rs100bn by the turn of the century. Hindustan Thompson Associates (HTA), a subsidiary of J. Walter Thompson of the US and India's largest agency, says that more than half its billings of Rs3.75bn this year came from new clients.

International brand rivals such as Coca-Cola and Pepsi, and Ariel and Surf are slugging it out through multi-million rupee advertising campaigns. "Nowhere is the impact of the government's liberalisation programme more evident than in the advertising industry," says Mr Rajiv Agarwal, managing director of Nexus Equity, a small but high profile Bombay-based advertising agency.

"The new scenario is so competitive that companies are forced to increase their advertising budgets," says Mr Ranjan Kapur, managing director of Ogilvy & Mather Advertising, a subsidiary of Ogilvy & Mather Worldwide. He points out there are 80 brands of soap on the market.

While multinational clients account for a substantial amount of the industry's growth – 50 per cent of HTA's clients are multinationals and multinational clients make up nearly 35 per cent of O&M's total billings of more than Rs2bn this year – Indian companies are advertising more than ever.

"With increasing competition from international brands, Indian business has inevitably grown dramatically," says Mr Agarwal. "The absolute numbers being spent by some Indian companies on advertising would create ripples on any global balance sheet."

Some international agencies are choosing to enter the Indian market alone – foreign agencies are allowed to set up wholly-owned Indian subsidiaries. But increasing numbers are opting for Indian partners as a way to enter one of Asia's largest emerging markets.

"Multinationals launching global brands in a strange country seek a sense of familiarity and sometimes prefer to deal with one agency worldwide," says Mr Kapur.

At the same time, many Indian advertising agencies find tying up with international advertising agencies helps them improve their management and generate more billings.

Top agencies (80 per cent of the business is controlled by India's 30 largest agencies) have tied up with some of the biggest names in international advertising. They include J. Walter Thompson, Lintas Worldwide, O&M Worldwide, the Lowe Group, D'Arcy Masius Benton and Bowles, Cordiant (formerly Saatchi and Saatchi), Bozell, and Dentsu Young and Rubicam.

"Up until now we have resisted an equity relationship because we feel very strongly that a partnership needs more than common business to link it," says Mr Mohammed Khan, chairman and creative director of the Rs450m Enterprise Advertising which tied up with the UK-based Lowe Group in May.

"The very fact that agencies are exposed to international partners and to different ways of approaching marketing and advertising problems leads to new standards of creative excellence," says Ms Roda Mehta, director of international client servicing at O&M, whose clients include Seagram's and British Airways.

> Advertising is finding that it cannot compete with multinationals, foreign banks and financial institutions

Ms Mehta points out that international agencies benefit from their association with Indian agencies too. "We create entirely new campaigns for some products like food, which is one category that is very different across the world."

Mr Walter Saldanha, chief executive of Chaitra Leo Burnett, says: "The biggest reason for the tie-ups remains the increase in volumes of business. Most multinational agencies bring with them the experience of launching the product in many countries, so why reinvent the wheel? But tie-ups do not automatically guarantee business."

The speed of the growth is causing some problems. "There is a tremendous dearth of talent and just not enough years of experience," says Ms Mehta.

Advertising, which was until recently one of India's best-paid professions, is finding that it cannot compete with multinationals, foreign banks and financial institutions to retain the best marketing professionals.

"Our biggest challenge is managing growth, not growing," says Mr Kapur. "It is important for us to develop the talent to manage that growth, and ensure that they stay in the country."

هكذا من الاصل

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Friday November 24 1995

Slow crawl towards Emu

The pupils are making progress, but should try harder. These are the conclusions of the headmasterly reports from the European Monetary Institute (EMI) and the European Commission on the convergence efforts of the European Union's member countries. Fundamentally, however, the reports are optimistic. They are right to be so.

How can that be so when only two countries – Germany and Luxembourg – meet all the criteria today? The answer is that a number of countries are very close. One, Ireland, has already been accepted, notwithstanding a ratio of public debt to gross domestic product of 86 per cent. On unchanged policies, forecasts the Commission, all members, except Greece, have at least a reasonable chance of meeting the inflation criteria by 1997: 11 have already made it. Eight should meet the fiscal deficit criterion of 3 per cent of GDP, while five more should be within 2 percentage points of that goal. Twelve should also have ratios of public debt to GDP of below 80 per cent, which is lower than Ireland's is today.

Now that the French government has set its course towards fiscal discipline, Emu could well be agreed in 1998. But much depends on how painful this discipline will prove. That depends, in turn, on economic growth.

The EMI's approach to this issue is just what might be expected of central bankers. It insists that "a successful rebalancing of public finances will require determined action over a sustained period", but also that "credible fiscal consolidation would over time more than offset possible short-term contractionary effects by leading to lower interest rates".

This might even be true. Four of the five largest EU countries – France, the UK, Italy and Spain – suffer from fragile monetary credibility and could be helped by successful efforts to enhance it. France, for example, has reduced its interest-rate differential on 3-month money vis à vis Germany from 3.4 to 1.6 percentage points just over the past month, while the long-term differential has shrunk by 0.3 percentage points.

Meanwhile, the fifth and mightiest – Germany – is more likely to loosen its monetary policy than tighten it. It has already done so twice this year and, given Germany's slow economic growth, modest inflation, sound fiscal position and negligible monetary growth, could soon do so again. The Commission has reduced its forecasts for economic growth in the EU to only 2.7 per cent this year. But it could well re-bound.

The EU's structural economic problems, notably high unemployment, have not disappeared. But the clash between satisfactory economic performance and fiscal stabilisation now looks manageable. Emu is conceivable. It would be foolish to assume it is not.

Oftel versus BT

Oftel, the UK telecoms regulator, is right to argue that it faces a problem. A decade after liberalisation, British Telecommunications still controls 97 per cent of customer lines. Oftel and many of BT's rivals complain that the rules do too little to stop BT acting unfairly to retain market share.

At present, BT's licence bans specific types of anti-competitive behaviour, as well as the practice of "undue preference and undue discrimination". But new entrants say that these clauses and general competition law do not cover actions such as predatory pricing, delay by BT in negotiating the terms of access to its network, or short-notice changes in such terms that upset rivals' business plans. Moreover, they complain that UK laws, unlike European ones, have limited deterrent effect, as they do not impose penalties on companies deemed to have acted anti-competitively.

These shortcomings make action desirable. But no solution is easy. The strengthening of the regulatory regime which Oftel has promoted for the past year, and which it aired yesterday at a public hearing, is particularly problematic. Oftel wants to insert in BT's licence an all-purpose clause banning BT from acting in an anti-competitive manner. The definition of anti-competitive would depend on Oftel's discretion.

Mr Don Cruickshank, Oftel's director-general, is right to hold that the speed of change in telecoms warrants more flexible and faster regulatory tools than other markets. He is also right to remind ministers that if the UK adopted European principles of competition law into domestic legislation, as many companies urge it to do, some of what he requests would be unnecessary.

But so far, he has not answered the central, powerful objection that his plans would grant one individual too much power to intervene in the market. As BT rightly argues, this would subject companies to an unacceptable degree of uncertainty.

Oftel will begin statutory consultation on its plans next month, and publish guidelines on its interpretation of anti-competitive behaviour. At the very least, the guidelines should be detailed. Oftel must also make clearer than it has yet done whether it would be prepared to be bound by precedents, and should discuss an appropriate appeals procedure.

If BT still objects, the issue will pass to the Monopolies and Mergers Commission. A ruling in BT's favour would end the dispute, at least temporarily – but not solve the problem. BT should be warned: if regulatory solutions fail, the attractions of radical structural reform, such as breaking up BT into network and services, would increase. Imperfect as Oftel's proposals are, BT should not dismiss them out of hand.

Help Nigeria

The urge to punish the Nigerian military regime for the execution of Mr Ken Saro-wiwa and eight other community activists is understandable. But the wisdom of some of the remedies proposed is at best debatable.

The executions, outrageous though they were, do not warrant the suspension of the country's liquefied natural gas project, to be built by a consortium led by Shell. It will not come on stream for several years. It will burn some of the gas now flared, responsible for a number of today's environmental problems. Should it be delayed, an important foreign exchange earner for a future democratic government could be set back for years.

Nor do the executions provide the United Nations with grounds for oil sanctions. Nigeria is not a threat to its neighbours, as South Africa clearly was. And it is different from Africa in another way. It is polarised between the mainly Moslem north and the largely Christian south. The predominantly northern army-backed elite relies on political power for the patronage which provides economic rewards. An oil embargo risks destabilising an already fragile state, whose weak and fractious opposition has yet to find common cause.

Helping the opposition resolve its differences should be part of the role of the eight-country ministerial group established at the Commonwealth summit in Auckland, and which includes Britain and South Africa.

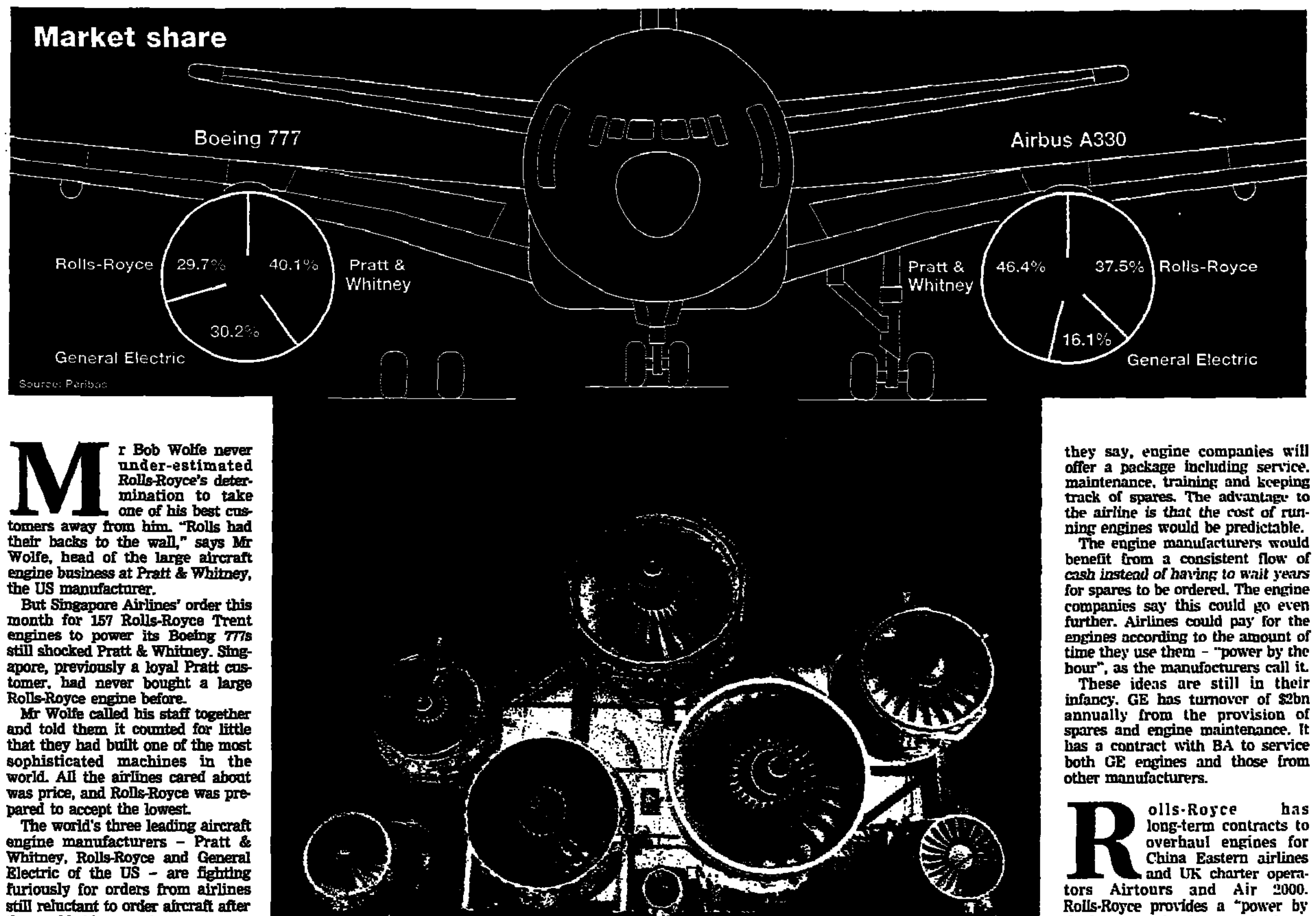
It can help do this by convening a preliminary conference, held outside the country, of opposition leaders. Chief Abiola, the detained winner of the aborted 1993 presidential election, can play a crucial part by giving such a conference his blessing, and waiving his claim to office.

Meanwhile pressure can be maintained on the regime until it agrees to participate in talks leading to an early return to democracy. Measures short of an oil embargo, such as the visa restrictions and the arms and spare parts embargo now in force, should be employed. The feasibility of seizing assets held abroad by senior officials of the regime should also be explored.

Nigerians must also be offered hope for the future. The country's external debt is approaching $40bn, and repayment arrears are mounting. Saddling a new government with this burden will undermine democracy. Creditors should table a package of radical and substantial debt relief proposals, conditional on an IMF approved economic reform programme, and on the presence of external monitors in the oil and finance ministries and the Central Bank.

Meanwhile the army must be encouraged to take part in the negotiations through the offer of a demobilisation fund which would help retrain soldiers who wished to return to civilian life, and golden handshakes should be offered to senior officers otherwise tempted to remain in power to enrich themselves.

Nigeria's problems are susceptible to no quick fix. The country will need international support and assistance long after outrage has abated.



On a wing and a prayer

The big three aircraft engine-makers are fighting a cut-throat battle for scarce orders, says **Michael Skapinker**

Mr Bob Wolfe never under-estimated Rolls-Royce's determination to take one of his best customers away from him. "Rolls had their backs to the wall," says Mr Wolfe, head of the large aircraft engine business at Pratt & Whitney, the US manufacturer.

But Singapore Airlines' order this month for 157 Rolls-Royce Trent engines to power its Boeing 777s still shocked Pratt & Whitney. Singapore, previously a loyal Pratt customer, had never bought a large Rolls-Royce engine before.

Mr Wolfe called his staff together and told them it counted for little that they had built one of the most sophisticated machines in the world. All the airlines cared about was price, and Rolls-Royce was prepared to accept the lowest.

The world's three leading aircraft engine manufacturers – Pratt & Whitney, Rolls-Royce and General Electric of the US – are fighting furiously for orders from airlines still reluctant to order aircraft after the worldwide recession.

The two US manufacturers believe the industry cannot continue spending hundreds of millions of dollars on developing new engines only to sell them at knock-down prices. In developing future engines, they say, they might have to set aside their rivalry and make them together.

Rolls-Royce is more reserved about the idea of collaborating, preferring to savour its recent victory. The UK company knows how Pratt & Whitney feels: four years ago British Airways abandoned Rolls-Royce, electing to buy engines for its Boeing 777s from GE. Analysts believe BA agreed to buy from GE because the US company was purchasing BA's engine overhaul business in south Wales.

The desertion by BA had dogged Rolls-Royce ever since. Why should we buy your engine, customers asked, when even your national airline does not want it? There were persistent rumours, always denied by Rolls-Royce, that it would have to merge with Pratt & Whitney.

The order from Singapore, one of the world's most profitable and respected airlines, will still any airline doubts remaining from the BA defeat. It is also likely to ensure Rolls-Royce's independence into the next century. "There's no question this remains a three-horse race beyond the end of this decade," says Mr Chris Avery, an analyst at Paribas Capital Markets.

Mr Avery says there would have been little point in Rolls-Royce merging with another company even before the Singapore order. The only reason for merging would be to save money on engine development. But the three large manufacturers have already spent millions developing engines for the new generation of twin-jet wide-body aircraft: the Airbus A330 and the Boeing 777.

Rolls-Royce will not say how much it spent on the Trent, but it is believed to be more than £500m. Pratt & Whitney has so far spent $800m on its PW4000 engine series. GE spent $1.5bn creating its GE-90 engine for the 777.

While it is unlikely to fall victim to a takeover from one of its direct competitors, Rolls-Royce is still at a disadvantage to GE and Pratt & Whitney, which are part of far bigger industrial groups with greater financial resources. It has to compete against them in a market in which profits are difficult to find.

Rolls-Royce's competitors are convinced that it gave huge discounts to Singapore on both the engines and future spare parts. One aerospace executive says: "It wasn't an order they could afford to lose. They took a considerable loss up-front on the sale of the engines and gave concessions on the spares. It will be many, many years before they make money on the deal."

Rolls-Royce does not explicitly deny these rumours. The group says it makes money on selling aircraft engines overall but adds: "We do recognise that some competitions are more aggressive than others. We never comment on individual contracts and whether they make money or not." Rolls-Royce says it does not believe price was the deciding factor in the Singapore competition and that the airline was more interested in the Trent's superior technology.

Analysts are sceptical about this version of events. "No one of the three holds an decisive advantage on technology," one analyst says.

Past events have demonstrated that factors other than price can play a role, as shown by the resistance Rolls-Royce encountered after it lost the BA order. Mr Vince Di Giovanni, market development director at GE aircraft engines, admits his group had to spend a lot of time reassuring customers after the GE-90 engine ran into technical problems – now resolved – during testing.

Price, however, remains the most important negotiating point. While aircraft purchases this year will be higher than in 1994, there are still few buyers. Boeing, the world's largest aircraft maker, has attracted close to 300 orders this year, compared with only 120 last year.

But this is small compared with the nearly 700 orders Boeing won in 1989. Boeing does not believe aircraft orders will pick up substantially until well into the next century. Until then, airlines will be in a strong position when negotiating prices for aircraft and engines.

Engine-makers have another difficulty: their products have become too reliable. The three big manufacturers used to be happy to give discounts on engine sales, knowing they would make their profits by providing spare parts. Today, engines require fewer spares.

Rolls-Royce says engines used to have to be taken off the wing for a full overhaul every three or four years. They now have to be taken off every six or seven years. Aircraft engine companies used to compare themselves to razor manufacturers who sell razors cheaply and make money on the blades. "Now we're not getting a return on the blades," says Mr Wolfe.

The answer, the manufacturers say, is to sell airlines a full engine service rather than just providing them with equipment. In future, they say, engine companies will offer a package including service, maintenance, training and keeping track of spares. The advantage to the airline is that the cost of running engines would be predictable.

The engine manufacturers would benefit from a consistent flow of cash instead of having to wait years for spares to be ordered. The engine companies say this could go even further. Airlines could pay for the engines according to the amount of time they use them – "power by the hour", as the manufacturers call it.

These ideas are still in their infancy. GE has turnover of $2bn annually from the provision of spares and engine maintenance. It has a contract with BA to service both GE engines and those from other manufacturers.

Rolls-Royce has long-term contracts to overhaul engines for China Eastern airlines and UK charter operators Airtours and Air 2000. Rolls-Royce provides a "power by the hour" service for some business jets which use its smaller engines. But the manufacturers concede it will be some time before their idea of full engine service contracts become the norm.

Mr Eugene Murphy, chief executive of GE aircraft engines, has a more radical proposal: that the engine-makers stop competing to supply engines for each aircraft model. Instead, aircraft manufacturers should select one company to provide all the engines for a particular aircraft. There are some precedents for this: the Boeing 737 and the Airbus A340 are available only with CFM engines, manufactured by a long-standing joint venture between GE and Snecma of France.

Pratt & Whitney supports this idea, but Rolls-Royce doubts airlines will ever accept it. In any event, there will be no need to develop a completely new engine for years. While the three big manufacturers are planning higher thrust engines to power enlarged and heavier versions of the 777, these will be based on existing products.

Future projects, such as a "super jumbo" version of the Boeing 747, will be able to rely on the engines which have been made for the wide-body twin-jets. Rolls-Royce says that even an aircraft carrying 1,000 passengers could be powered by four Trent engines.

A supersonic successor to Concorde would require new engines, which no single company could profitably develop on its own. But there is no certainty that a new supersonic aircraft will be developed and, if it is, its launch is likely to be years away.

In the meantime, the industry is waiting for airlines such as Air China and South African Airways to select engines for Boeing 777s. There may not be many orders about, but those that come will be fought over furiously by the three big manufacturers. And the airlines know that in the present climate it would be foolish to overpay.

· O B S E R V E R ·

My kingdom for a port

■ With the handover of Hong Kong to Chinese rule now just 19 months away, attention is turning to the actual arrangements for the ceremony on June 30 1997.

Prince Charles and the royal yacht Britannia have been booked for the occasion. Having handed over the keys at midnight on the appointed day, the Prince and Chris Patten, the governor, will climb aboard Britannia and sail off into the dark.

But where too? There's no suitable port within a short steaming distance for the party to disembark and transfer to an aircraft. Hong Kong's own airport – across the water in Kowloon – is closed at night. The new one, which will be operational 24 hours a day, will not be complete.

Macau, just across the Pearl river mouth, might be suitable; it already boasts a new airport, but it too is close to its *own* return to China, where Patten is pretty much *persona non grata*. Taiwan is out of the question. It looks as though they'll have to sit tight until they reach the Philippines, some 600 miles away.

As for China, it will have its own very large party the following day. Expectations are that Jiang Zemin, China's president, will come down personally to inspect the territory, after the British have left.

But he may not be able entirely to avoid them in 1997 – he's scheduled to be in Hong Kong in October, to address the annual meetings of the International Monetary Fund and World Bank.

Somalian stink

■ The past always catches up with you, particularly in Africa. For the past two days, well-heeled officials turning up for work at the UN's headquarters in Nairobi have been nonplussed by the presence of some 50 irate Somalis, singing "We'll never walk alone".

They are employees of the Sewage, Drainage and Building Company (SDBC), which pumped thousands of gallons of waste out of the latrines of the huge UN compound in Mogadishu, before the mission wound up in March.

Now the SDBC workers claim they are owed $1.4m in back pay, and dare not return home without it for fear of being shot by 340 colleagues. The UN has offered them $153,000.

They regard that as just about enough for an insult, saying the job wasn't just messy but was also dangerous. "Some of our friends died while cleaning," explains one of their number.

Speaking frankly

■ Uffe Ellemann-Jensen could not resist a bit of fun at the expense of his French tormentors yesterday. During a visit to Bonn, the Danish hopeful for the vacant post of Nato secretary-general was asked what he thought of a local press report trailing the name of Hans-Dietrich Genscher, the former German foreign minister, as a possible candidate for the job.

Genscher would be a formidable Nato leader, the Dane conceded, but then, switching into French, he said: "But I don't think Hans-Dietrich speaks French and that is a problem."

With that elegant improvisation Ellemann-Jensen's immediately cast doubt on France's claim that he would be unsuitable for the Nato job because of his inability to speak French.

If only he could remove the French government's *dislike* of his opposition to nuclear testing with such ease...

Just defenestrate it

■ So why is the European Commission tarrying so long before committing itself to print, in the Official Journal, on the little matter of the Crédit Lyonnais rescue package? After all, the Commission approved the thing nearly four months ago.

Sources in the European Commission suggest French civil servants are to blame. The Ministry of Economics in France in turn points the finger to the national parliament, which took until last week to rubber-stamp the law permitting the rescue plan to go ahead.

And the deputies? They cast aspersions on Brussels' interpreters, who have apparently been arguing how to translate "defeasance" into Finnish.

The Leeson style

■ Nick Leeson landed in Singapore yesterday dressed head to toe in Adidas kit. The German sportswear maker was quick to deny any suggestion that it had signed a sponsorship deal with the man who broke the bank.

Meanwhile, as the former master trader settled down in his rather spartan room – courtesy of the Singapore police – a group of financiers was gathering for drinks and dinner at a hotel not too far away. This weekend the regional investment and fund managers of Barings are having a bit of a knees-up in the island republic.

Nominal worker

■ Daimler-Benz is considering dismantling AEG, its electronics subsidiary and one of Germany's oldest industrial companies, with about 10,000 job losses, according to an internal document leaked to the head of AEG's works council – Peter Sackenheim. Well, he could hardly stand idly by and watch with a name like that, could he?

The Financial Times

50 years ago

Last Lap at Washington
The common interest of Britain and the United States in the rebuilding of international trade should be a guarantee of a successful outcome to the financial talks in Washington. Despite this it is now common knowledge that the negotiations have more than once been on the verge of breakdown. According to the latest and supposedly reliable reports, however, Lord Keynes' proposed departure has stimulated agreement on at any rate some of the main issues under discussion.

In particular, the United States is reported to have offered a credit of $3,500 millions, plus $500 millions to be applied in the liquidation of lease-lend "obligations" and our representatives to have accepted both this scaled-down capital figure and the proposed interest rate of 2 per cent.

More important, America is now willing that interest payments ruled out in any particular year by an unfavourable British balance of payments shall be not merely postponed but definitely waived.

In other words, this country could enter upon an agreement with the confidence that its liability would definitely terminate in 50 years time.

FINANCIAL TIMES
Friday November 24 1995

Ex-Barings trader in Singapore to answer charges over bank collapse

Leeson faces his toughest deal

By Kieran Cooke in Singapore

The hostess with a little too much lipstick wishes you welcome to Singapore.

Then, as the aircraft glides across the tarmac at Changi airport, the traveller's attention is drawn to the stark, red words on the landing card, "Death for drug traffickers in Singapore".

The country, with its strict laws and numerous regulations, can be intimidating for the jet-lagged and faint-hearted. Yesterday Mr Nick Leeson, former ace futures trader, returned to his fate in the island republic.

He faces 12 charges of forgery and illegal transfer of funds over the $1.4bn collapse of Barings, the British merchant bank.

After a 12-hour flight from Frankfurt, he looked tired and nervous as he strode through the marble clad arrivals hall. A posse of more than 20 police surrounded him, trying to keep the crowd of cameramen and journalists at bay.

"How does it feel to be back, Nick?" someone yelled. Mr Leeson, without his glasses and with a black baseball hat pinned, rap style, backwards on his head, stared straight ahead.

In a green sweatshirt, grey sweatpants, white socks and running shoes, he looked more like a slightly overweight footballer than the man who broke a bank.

Singapore has fought long to have Mr Leeson returned. Now it wants to push its case through the courts as quickly as possible. Mr Leeson left Singapore as Barings crumbled in late February. Since early March he has been in prison in Germany.

Mr Leeson was bundled into the back of a car and whisked off to the offices of Singapore's Commercial Affairs Department, the main investigator in the Barings case. He has said he will co-operate fully with investigators. He is due to appear in court today to hear the charges against him. Lawyers say he might plead guilty to avoid a trial.

Singapore has hinted at a belief that senior Barings executives took part in a desperate attempt to cover up Mr Leeson's losses after these started to surface within Barings in the two months before the bank's collapse on February 26.

There is speculation in Singapore that Mr Leeson may try to reduce his prison sentence by claiming he was more of a scapegoat than a rogue, and that senior executives were aware of his hidden trading in an account numbered 88888.

He did not make that allegation in an earlier television interview. If he does now, the Singaporeans could try to extradite some senior ex-Barings figures from the UK, and call Mr Leeson as a prosecution witness in another trial.

Mr Leeson made it very big, very young. At 26, he was head of the 25-strong Barings Futures team in Singapore. Sitting under a faded union flag on the floor of the Singapore International Monetary Exchange (Simex), Mr Leeson would trade futures worth millions each day.

Afterwards he would often go down to the bars on the quay by the Singapore river and drink jugs of the local Tiger beer with his fellow traders.

Last night the routine continued, without Mr Leeson. "Five years and he'll be out," said one. "He's got something up his sleeve, just you watch," said another. "No one better than Nick for making a deal."

THE LEX COLUMN

Crossed wires

The UK market got its wires crossed in reacting to yesterday's electric shock. Worst hit were Midlands and Southern Electricity, the targets of the bids that were referred to the Monopolies and Mergers Commission; the other regional electricity companies (recs) which have so far failed to attract suitors also suffered, though not as badly; National Power and PowerGen, the bidders, were relatively unscathed. The reaction was upside down.

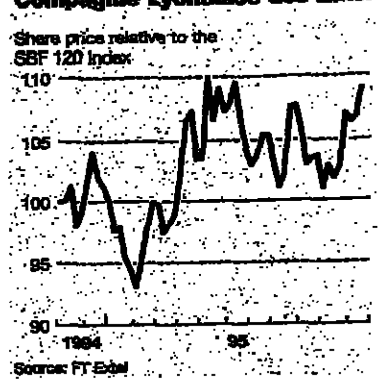
The referral is bad news for National Power and PowerGen. They need recs to soften the impact on their business of 1998's deregulation of the electricity market. Southern's and Midlands' near-captive customer bases would help stem the decline in the generators' market power – precisely why the government was right from a competition perspective to refer the deals. The MMC, of course, may not block the bids. But it could attach tough conditions that would curb the generators' market power. An obvious option would be to require National Power and PowerGen to divest even more generating capacity than they have already agreed.

Even if no conditions are attached, the generators may have to pay more – since subsequent rec deals have been struck at higher prices. There is also a risk that rival bidders will woo Midlands and Southern while the generators are embroiled in the MMC. Either outcome would be good for the target companies. And even if they remain unattached, their shares look cheap, assuming they use their ungeared balance sheets to pay bumper dividends.

The prospect of two recs returning as takeover candidates clearly reduces the scarcity value of the remaining recs. But there are silver linings. If the generators' market power is curbed, the recs will benefit. And if the bids are blocked, rec-on-rec mergers – which would produce considerable cost savings – would be an option. Shareholders would benefit, provided the merged entity simultaneously geared itself up.

FT-SE Eurotrack 200: 1549.6 (-3.3)

Compagnie Lyonnaise des Eaux



Source: FT Extel

German takeovers

Four months after it was first mooted, Germany's deeply flawed takeover code is at last attracting opposition. German investment funds, accounting for 20 per cent of the stock market, are criticising it for the lack of protection it offers minority shareholders.

The new regulations are inadequate. The code requires bidders to make an offer to minority shareholders in a target company within 18 months of buying a 50 per cent stake. The 50 per cent hurdle is too high; it lets an acquirer buy a 49 per cent holding and gain effective control without paying for it. In the UK, a 30 per cent stake is enough to trigger a full bid, while Brussels wants a 33 per cent limit. The code also allows bidders to buy out minority holders at a discount of up to 25 per cent of what they paid for their initial stake. This transgresses the key principle that all shareholders should be treated equally.

As it stands, the code does nothing to shake up the cosy relationship between German industry and banks, which tend to own stakes in client companies and work in favour of incumbent management. It is all the more encouraging, therefore, that the challenge is being led by DWS, the mutual fund subsidiary of Deutsche Bank, Germany's biggest bank.

Northumbrian Water

Yesterday's agreed bid for Northumbrian Water from Lyonnaise des Eaux only makes sense if the price cuts demanded by the government are offset by cost savings from merging the businesses – which looks very unlikely. Once the full effect flows through, price cuts will wipe more than £20m ($12.8m) a year off revenues. Lyonnaise itself estimated the cost savings at only £11m a year – and it had every incentive to pitch the estimate high, to prove the deal was in the public interest.

Of course, Lyonnaise may be able to cut more costs. But the signs are not promising. For one thing, the company has promised to make no compulsory redundancies. And its plan to keep two joint chief executives, not to mention the entire Northumbrian board, does not suggest a tautly focused operation.

Lyonnaise is also paying a very high price – a 60 per cent premium over Northumbrian's share price in March, when it first said it planned to bid. Lyonnaise may argue that the deal will still enhance earnings, but this means little: the earnings stream will be of lower quality. Lyonnaise shares are trading on an extravagant rating – 21 times this year's expected earnings. Taking on a large chunk of debt to expand in the UK's highly-regulated water sector can only bring this down.

Crédit Lyonnais

Crédit Lyonnais' forced sale of overseas assets to meet the European Commission's conditions for its FFr145bn ($30bn) rescue plan may be more substantial than originally thought. Instead of 35 per cent, it may have to dispose of 50 per cent of its European banking network (outside France), according to a letter to the Commission from the former French finance minister. So far, Crédit Lyonnais has managed to use such sales as an opportunity to clean up its portfolio, for example by selling Crédit Lyonnais Bank Nederland to Belgium's Generale Bank. If Crédit Lyonnais were forced, as a result of tougher terms, to sell its German subsidiary BfG Bank, this would be an irritation. After prolonged difficulties, that investment may be just starting to come right.

Still, the pruning of Crédit Lyonnais' ambitions to become a European banking force is no bad thing. If it manages to concentrate more effort on areas of traditional strength like trade finance, the result may even be better margins. Given its limited capital resources, some shrinkage is helpful.

The day is approaching when Crédit Lyonnais will again function as a normal bank. Most of its exposure to French property has been written off. The management's cost-cutting aims are among the most aggressive in the industry. However, much of the recovery is already priced in, following the rally in French bank stocks this autumn. At around FFr300 per share, Crédit Lyonnais is no longer cheap.

See additional Lex comment on Amec, second section

Crédit Lyonnais rescue plan may involve bigger sell-off

By Andrew Jack in Paris

Executives at Crédit Lyonnais, the state-owned French banking group, are set to come under pressure to sell off a higher-than-expected proportion of European assets in exchange for the European Commission's approval of its rescue plan.

The Financial Times has obtained a letter written in July to the European Commission by Mr Alain Madelin, the minister of economics and finance who was sacked in August.

In it he refers to the French government's intention to ensure the sale of half the bank's European network outside France over the next three years.

The pledge was made during last-minute negotiations this summer to ensure that the EU competition commissioner approved a FFr145bn ($29.8bn) rescue plan for the bank, underwritten by France.

It stands in sharp contrast to the publicly-stated intention of the French government and Brussels to sell off just 35 per cent of the assets of Crédit Lyonnais around the world.

If the demand for a sale of 50 per cent of the European network is met, Crédit Lyonnais would have little choice but to sell off such important assets as BfG Bank in Germany, which could threaten its commercial strategy.


Alain Madelin's letter talks of the bank shrinking its network

The letter dated July 18, shortly before the announcement of approval by Brussels of the rescue plan, appears to contradict public assurances given by Mr Madelin that no "side letter" existed which committed the French government to ensure a sale above this 35 per cent limit.

The letter says the French authorities agree, as part of the restructuring package, that Crédit Lyonnais will, before the end of 1998, reduce "in a very significant way" its commercial presence abroad "and particularly in Europe".

The next paragraph reads: "In total, this reduction in the commercial presence outside France will reach 35 per cent in terms of assets, which represents 50 per cent of the network in Europe." The pledge could be subject to a legal challenge because it is poorly worded.

In fact, in 1994 Crédit Lyonnais had enough assets elsewhere in the world that it could theoretically sell all or most of them and still manage to retain much more than half its non-French banking assets in Europe.

But officials in Brussels stress that they take this sentence as a sufficient guarantee that the 50 per cent target will be respected by the French government overseeing the bank's restructuring.

However, officials at the French Ministry of Economics – as well as executives at Crédit Lyonnais – continue to maintain that the only pledge they have given is for the sale of 35 per cent of the assets around the world.

They are still waiting for publication of the text showing the conditions for the rescue plan in the European Commission's Official Journal which, in a highly unusual delay, has still not been published nearly four months after the approval was granted.

Commission sources, who claim the French government has been holding up the publication, say the final text may not include a public mention of the 50 per cent demand.

See Lex

AEG split 'planned'

Continued from Page 1

group had prepared recommendations, but denied any decisions had been taken, or that one was imminent.

The company said the works council's figure of estimated job losses "bear no reality in fact". It was still evaluating whether a decision to turn some of AEG's units into separate legal entities required approval by an extraordinary shareholders meeting.

The works council is preparing to enlist support among the Social Democratic government of the state of Hesse, and from Mrs Petra Roth, the Christian Democratic mayor of Frankfurt.

Mr Sackenheim said the documents showed that AEG, whose activities include railway engineering, microchips, diesel engines, energy, and automation systems, would be broken up into 20 separate companies. Some would be sold, some may close, and a small number would remain with Daimler-Benz.

He said a break-up would also make it unnecessary to retain AEG as a separate company and its headquarters in Frankfurt could be shut with a loss of 700 jobs. Frankfurt would be among the cities hardest hit by the break-up, with job losses expected to run up to 1,500.

Shareholder criticism has forced Daimler-Benz to change from an "integrated technology concern" towards a narrowly focused transportation group.

"This is not an economic decision, but a strategic decision. Even though it does not make sense financially to dismantle AEG, we no longer seem to fit into their new strategy," Mr Sackenheim said.

Of the existing AEG units, Daimler-Benz wants to retain the railway rolling stock operations, brought into a joint venture this year with ABB, the Swiss-Swedish engineering company; Temic, the electronic components manufacturer; and MTU, which makes diesel engines.

EU told to reform CAP before enlargement

Continued from Page 1

on price support, compensated where necessary by direct payments, should be extended. Direct income payments could also be linked more to environmental and social issues.

The shift in aid payments would be tied to the expected implementation of a broader rural development policy.

The report does not address what impact the reforms would have on the EU farm budget, although the rural development policy is expected to fall within existing limits.

Mr Fischler also makes a strong case for giving more freedom to member states to implement EU legislation. Although he rejects giving member states responsibility for aid payments he favours allowing governments more power to implement policy.

Mr Fischler also warns that the EU will not be able to meet its obligations under a new world trade round if it maintains present policies and that the farmers will have to adapt to exporting produce without subsidies.

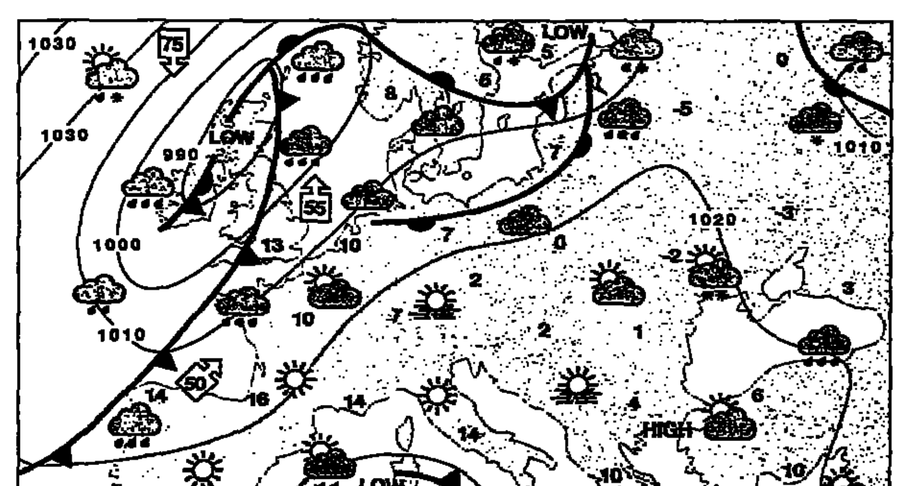
FT WEATHER GUIDE

Europe today

Low pressure over Scotland will cause cloud and outbreaks of rain in the British Isles. England will have strong breezes. A strong northerly air flow, accompanied by showers, will reach Ireland in the afternoon. Southern France and Spain will be dry and mostly sunny. Cloud and rain will spread across north-western Spain and Brittany. It will be cloudy but mainly dry in northern France, the Benelux, northern Germany, Denmark and southern Scandinavia. The south-west coast of Norway will have rain. A high pressure system over the Balkans will promote calm conditions with sun and fog patches from Athens to Moscow. Sardinia and the Israeli coast will have a few showers.

Five-day forecast

Scotland and western Norway will be unsettled with rain at times. A low pressure system in the western Mediterranean will direct dry Saharan air to the north. The air will become very humid as it crosses the Mediterranean resulting in heavy rain along the Riviera and in Italy and later in Albania and western Greece. A high pressure system will promote calm conditions in the Black Sea region.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	29
Accra	fair	32
Algiers	shower	17
Amsterdam	drzzl	11
Athens	sun	13
Atlanta	fair	10
B. Aires	sun	26
B ham	rain	13
Bangkok	cloudy	32
Barcelona	fair	15
Beijing	sun	9
Belfast	rain	11
Belgrade	sun	4
Berlin	cloudy	6
Bermuda	shower	21
Bogota	cloudy	20
Bombay	cloudy	33
Brussels	cloudy	10
Budapest	fog	2
C.hagen	drzzl	8
Cairo	fair	17
Cape Town	fair	20
Caracas	cloudy	31
Cardiff	rain	13
Casablanca	fair	18
Chicago	cloudy	3
Cologne	cloudy	10
Dakar	sun	32
Dallas	sun	21
Delhi	sun	27
Dubai	sun	29
Dublin	shower	12
Dubrovnik	sun	13
Edinburgh	rain	12
Faro	sun	18
Frankfurt	cloudy	8
Geneva	fair	7
Gibraltar	sun	18
Glasgow	rain	13
Hamburg	cloudy	9
Helsinki	rain	5
Hong Kong	sun	23
Honolulu	shower	25
Istanbul	fair	5
Jakarta	shower	31
Jersey	rain	12
Karachi	sun	32
Kuwait	fair	26
L. Angeles	sun	27
Las Palmas	fair	23
Lima	cloudy	22
Lisbon	fair	15
London	shower	14
Lux.bourg	cloudy	7
Lyon	fair	8
Madeira	cloudy	20
Madrid	sun	13
Majorca	thund	17
Malta	shower	18
Manchester	rain	14
Manila	rain	30
Melbourne	fair	17
Mexico City	cloudy	19
Miami	fair	25
Milan	hazy	7
Montreal	fair	-2
Moscow	sun	-3
Munich	fair	6
Nairobi	cloudy	25
Naples	fair	15
Nassau	fair	27
New York	fair	4
Nice	fair	15
Nicosia	fair	13
Oslo	rain	5
Paris	fair	10
Perth	cloudy	24
Prague	fair	5
Rangoon	fair	33
Reykjavik	clear	-4
Rio	cloudy	27
Rome	sun	15
S. Frsco	fair	19
Seoul	shower	5
Singapore	thund	30
Stockholm	fair	6
Strasbourg	fair	8
Sydney	shower	20
Tangier	fair	18
Tel Aviv	shower	15
Tokyo	cloudy	14
Toronto	cloudy	-1
Vancouver	rain	13
Venice	sun	9
Vienna	hazy	3
Warsaw	drzzl	3
Washington	fair	7
Wellington	rain	17
Winnipeg	snow	-6
Zurich	fair	6

FINANCIAL TIMES
COMPANIES & MARKETS
Friday November 24 1995

IN BRIEF

ING rises 15% with Barings in black

ING Group, the big Netherlands-based financial services company, said net profits rose 15 per cent to Fl 1.88bn ($1bn) in the first nine months of 1995, helped in part by the "modest positive result" achieved by Barings, the UK bank rescued by the Dutch company in March. Page 20

Henkel rises 7% in spite of flat sales
Henkel, the leading German chemicals group, reported a 7 per cent rise in operating profits to DM519m ($373m) for the nine months ending September 30. Page 20

Cott shock prompts 25% plunge
Cott, the Toronto-based private-label soft drinks maker, lost almost a quarter of its market value yesterday after stunning the market with news of unexpected losses, a hefty restructuring charge, and a retreat from several businesses. Page 21

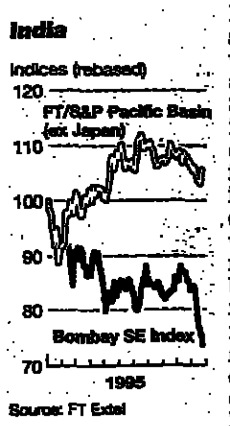
Argentine brewer thirsts after expansion
Argentines may not quaff beer to the extent of their UK, US or even Venezuelan counterparts, but to Quilmes this is part of their attraction. "There's still plenty of room to expand," says Mr Norberto Morita, chief of Quilmes International, which controls nearly four-fifths of Argentina's beer market. Page 21

Fairfax forecasts 'modest' fall for year
John Fairfax, the Australian newspaper publisher, warned shareholders that it expected a "modestly lower profit" in the current financial year, compared with last time. In 1994/95, Fairfax made an after-tax profit of A$147.3m. Page 22

Price rise delays worry oil groups
The growing politicisation of petrol prices in the Philippines has all but guaranteed a poor financial year for the country's three oil companies, Petron, Pilipinas Shell and Caltex (Philippines). The government has repeatedly decided against approving higher oil prices, most recently this week. Page 22

Trading volume decline hits Exco
The slump in trading volumes on world foreign exchange and money markets caused more blood to be shed in the City of London when Exco, the moneybroking group, issued a profits warning and said it was taking further steps to cut costs. Page 23

'Confidence crisis' as Bombay slides



Source: FT Extel

Bombay's already bearish sentiment turned sharply worse as sustained selling in a thin market pushed the 30-share Bombay Sensex index down 57.34, or 1.9 per cent, to close at 2,944, piercing the psychologically important 3,000 level. The drop continues a steep four-week slide during which market sentiment has stubbornly defied good economic fundamentals and strong recent half-year returns from some of India's biggest companies. "There's a crisis of confidence," said an analyst with one of the biggest overseas brokerages on the Bombay exchange. Back Page

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Andrea N	358	+	13
Bauag	168	+	13
Holzmann (P)	503	+	17
Wera	529	+	24
Falls			
Puma	365	-	14.5
Wella Stmm	668	-	24
LONDON (Pence)			
Rises			
AMEC	99	+	21
Ferry Pickering	192	+	24
Polar	430	+	52
Taylor Woodrow	114½	+	47½
Falls			
Exco	120	-	21
Powell Duffryn	480½	-	74½
TORONTO (C$)			
Rises			
Alpinet Tel	15¼	+	¾
Coral	22½	+	1
Dundee Bancp B	13	+	¾
Falls			
Arbor Mem B	20	-	1½
Cott Corp	7	-	2¼
Laidlaw Tech	28¾	-	2¼
PARIS (FFr)			
Rises			
Arjois	980	+	48
Le Bourget	41.4	+	35.4
Prodal	736	+	179
Falls			
Otra NV	895	-	55
Porcher	203.8	-	46.2
Promodes	860	-	45
HONG KONG (HK$)			
Rises			
CP Pokphand	3.2	+	0.25
Goldlion	5	+	0.35
HK China	2.375	+	0.25
Poldubes Dev	4	+	0.2
Falls			
Goodwill Inv	2.625	-	0.125
Kingboard Chem	1.98	-	0.14
BANGKOK (Baht)			
Rises			
Boutique New	26.75	+	2
Goodyear	250	+	20
Textile Prestg	49	+	3.5
Thai Toray Tex	92	+	8
Falls			
Bangkok Union	47	-	4
Int Cosmetics	212	-	20

New York and Tokyo closed. Toronto prices at 12:30.

UK water utility accepts $1.3bn French offer

By Christopher Price in London

The board of Northumbrian Water, the privatised UK utility, yesterday accepted an £823m ($1.3bn) offer from Lyonnaise des Eaux, ending an eight-month courtship by the French group.

It is the first takeover of one of the 10 largest UK water companies, which were transferred to the private sector through privatisation in 1989.

The takeover follows the decision two weeks ago by Mr Ian Lang, trade and industry secretary, to allow Lyonnaise to bid provided it guaranteed price cuts of 15 per cent in customer's water bills by 2001. This would equate to an annual saving of about £15 on the region's current average annual bill of £97 for water, excluding sewerage.

Northumbrian shareholders, who are being offered £11.65 in cash for every share, are being given a special dividend of 14p. In addition, they will be paid the 11p interim dividend declared by the Northumbrian board two weeks ago. Northumbrian shares closed 35p up at £11.65 yesterday

Lyonnaise, which will merge Northumbrian's operations with the neighbouring North East Water to become the fifth largest water supplier, has guaranteed not to make compulsory redundancies among Northumbrian employees.

There will be no job losses among the Northumbrian board, who will all be offered parallel posts in the new organisation. They will have their share options paid off. Among the executives to benefit will be Mr David Cranston, Northumbrian's chief executive, who will net £566,706.

Sir Frederick Holliday, Northumbrian's chairman, said the company did not talk to other potential partners. He added that the group's defence package was inferior to the offer.

Mr Jacques Petry, president of Lyonnaise's international water division, said: "The price is as high as we would have gone, but we believe the enlarged group will deliver both savings for customers and returns for our shareholders." He said the deal should be earnings enhancing in 1996. Gearing, currently around 50 per cent, would rise to 70-80 per cent after the bid. Lyonnaise has given undertakings not to bid for another UK water company for 10 years. It must float at least 25 per cent of its UK water interests, which includes Essex and Suffolk Water, by 2005.

Northumbrian shares stood at 742p on March 6, the day before Lyonnaise announced its intention to bid. The French group declined to detail its offer until the regulatory hurdles had been cleared as the bid automatically triggered a reference to the Monopolies and Mergers Commission. Its report in July, which found against the public interest, was used by Mr Lang as a basis for further inquiries by Mr Ian Byatt, the water regulator.

Analysts said the intra-water merger was unlikely to lead to similar takeovers in the sector. Mr Byatt has warned that he will demand stiffer price cuts as the price for greater consolidation in the industry. In addition, the water sector has a reputation as a vociferous cash consumer, with large capital expenditure requirements also likely to act as a dissuader to potential aggressors.

Lex, Page 18

Kvaerner buys 10% stake in Amec

By Andrew Taylor in London and Hugh Carnegy in Stockholm,

The prospect of a three-cornered fight for control of Amec, the UK construction group, was in prospect last night after Norwegian shipbuilder Kvaerner launched a dawn raid to buy 10 per cent of its shares.

The purchases were made as it emerged that Amec has been talking with Alfred McAlpine, another struggling UK construction group, about merging their businesses.

Amec executives last night were concerned that a full offer by Kvaerner could upset plans for a further rationalisation of the UK construction sector following last week's announcement that Tarmac would be acquiring Wimpey's building and civil engineering businesses.

Kvaerner, which yesterday paid £20m to increase its stake in Amec to 12 per cent, declined to rule out a bid but said if it did buy more shares, it would pay no more than the 100p offered in the dawn raid.

Shares in Amec rose 21p to 99p, valuing the company at about £200m. Kvaerner's B shares however fell NKr11 to NKr205.

Kvaerner wants to increase international reach of the group's oil and gas division which to date has worked mostly in the Norwegian sector of the North Sea.

It announced plans in the autumn to move its oil and gas engineering headquarters from Oslo to London.

Kvaerner's proposals for a strategic alliance with Amec however were rebuffed when Mr Erik Tonseth, the group's chief executive, met Sir Alan Cockshaw, Amec's chairman, in London, yesterday.

Mr Tonseth said: "While Sir Alan clearly recognised the industrial logic of extensive co-operation between our two firms, we were unable to agree a way forward. We are now considering out options."

Amec is afraid that a financially driven bid could lead to Kvaerner retaining its oil, gas, process plant and civil engineering interests and disposing of Amec's general building and housebuilding businesses either through mergers or sales.

Sir Alan said a bid at 100p would fundamentally undervalue Amec and that a takeover by Kvaerner "would make no effective contribution for the urgent need for rationalisation in the Uk construction industry."

Last year, Amec earned pre-tax profits of just £20m on turnover of £1.96bn. The company in has been forced to make a series of large provisions against problem contracts, including against a £550m, North Sea oil and gas platform for Agip.

Lex, Page 23

Richard Lapper and Andrew Jack look at a meeting of markets


Talking business: Paris traders argued that the liquidity linked to the open outcry method was an important attraction of their market

Europe bourses link-up moves closer to fruition

An ambitious plan to bring the French and German equity and derivatives markets closer together is nearing fruition.

A provisional agreement to create an electronic trading network linking the two markets was signed in the historic halls of the Palais de Bourse in Paris at the end of last month.

Exchange executives hope that if the plans are successful they will attract increased flows of equity business, strengthening their competitive position against rival exchanges, including the London Stock Exchange.

"We think London will lose part of its influence if we get it working," said the Deutsche Börse, which agreed the deal with the Société des Bourse Françaises (SBF), the Matif and the Monep, the French futures and options markets respectively.

At the heart of their agreement is the creation of what the French and German market authorities call a "double platform", a common computerised network on which equities, some bond market products and derivatives listed on the exchanges, can be traded. The new system will allow traders to buy and sell French and German equities and some derivatives products by using a single computer screen.

It should increase liquidity, cut transaction costs and pave the way for tighter co-operation. Senior executives from the Paris and Frankfurt markets hope to develop common settlement and clearing systems. All this should help it attract business. There are hopes, for example, that US firms trading German stock through a London marketmaker might use the French or German exchange directly.

Some potential obstacles remain. For the deal to go ahead, the German exchange would have to agree to use the SBF's new quotation system (NSC) for share trading, developed at a cost of more than FFr200m (£27m). Frankfurt has until the end of March to make its decision.

Mr Jean-François Théodore, chairman of the French bourse, stresses that the new accord is provisional and French trading firms say they will oppose moves to transfer the CAC-40 index future, the exchange's popular equity derivatives contract, from the Matif floor to the DB's electronic system, unless the NSC system is used by the Germans.

Even so, the chances of the project happening seem good. One positive sign is that trading firms in Paris support it. They were unhappy with an original, more limited link-up plan drawn up in 1993, which would have transferred a limited range of French and German derivatives products to a joint electronic network. They support the current version of the project, partially because it will allow them to continue trading France's popular bond contracts – such as the 10-year bond and the Pibor, the three-month money market contract – at the Matif trading floor.

Paris traders argued that the liquidity linked to the open outcry method – floor-based face-to-face trading – was an important attraction of the Paris market to institutional investors, and were worried that moves to transfer the business to the joint electronic network could lose them business.

There was also concern about threats by Liffe, the London derivatives market which trades by open outcry, to list any products delisted from the Paris floor.

"We disliked the first agreement because it didn't give a recipe for real integration," said Ms Fabienne Bothy of Aprim, the association representing about 40 firms operating on Matif. "We wanted to make sure that the business was still there. You have to provide a competitive environment to attract business at the end of the day." By contrast, the organisation says the deal under consideration "comes a long way from the initial agreement" and is "more pragmatic and economically supportive".

Mr Gérard Pfauwadel, chairman of the Matif and one of the architects of the original Matif-DTB link-up, stresses that broader circumstances have changed since the original agreement. For one thing, the DTB has been integrated with the broader Deutsche Börse.

Perhaps more important is the change in the timetable for European monetary union. Matif and the DTB had originally hoped their alliance would put them in poll position to dominate a wider range of bond and money market products based on the new currency. This summer's Cannes summit meeting of EU leaders, however, delayed monetary union at least until 1999. This made the development of the new business line less urgent and allowed for the emergence of a more pragmatic approach. Mr Pfauwadel is confident. "We have a wonderful business opportunity."

Derivatives disclosures, Page 32

Crisis talks at largest German shipbuilder

By Judy Dempsey in Berlin

Bremer Vulkan, Germany's largest shipbuilding group, said losses this year would reach at least DM250m ($179.8m) as bankers and officials from Bremen city held crisis talks to discuss the company's finances.

Bremer Vulkan said the talks were aimed at financing the construction of orders worth DM7.7bn.

But the meeting heightened fears about the company's financial stability, forcing the group's shares down 90 pfennigs, or about 2 per cent, to close at DM41.85.

The meeting involved Mr Henning Scherf, the mayor of Bremen, Mr Ulrich Nölle, the finance senator, and representatives from Commerzbank and Dresdner, the company's house banks. Participants would not reveal details of the meeting.

The talks took place a week after Mr Friedrich Hennemann was told by the supervisory board to quit as chairman following disclosures that Dörries Scharmann, a subsidiary of Bremer Vulkan, would report losses of DM200m this year. Yesterday the company said its losses, excluding Dörries Scharmann, would exceed DM50m.

"The truth is that we do not know the real state of the books," the company said. "We know there is a problem financing some of the orders. But how big the problem we cannot say."

In September, Mr Hennemann revealed the banks were unwilling to extend a further DM300m credit line to finance orders. Bremer Vulkan has outstanding dents totalling DM1bn.

Bremer Vulkan employs over 24,000 people and is Bremen's largest employer.

German funds seek stiffer bid code

By Andrew Fisher in Frankfurt

Germany's biggest investment funds are pressing to strengthen Germany's new takeover code, just weeks after it came into effect.

The funds, which account for 20 per cent of stock market turnover, want to give minority shareholders the same sort of protection as in other international markets. They warn that without stricter rules, Germany's role as a financial centre could be undermined.

The voluntary code, announced in July, follows other reforms to clamp down on insider trading and enforce stricter disclosure requirements for share stakes. It came into effect last month, when a new takeover commission was set up.

"A level playing field with fair takeover rules is the missing key element for *Finanzplatz Deutschland* [Germany as a financial centre]," said Mr Christian Strenger, head of DWS, Germany's biggest mutual fund company and a subsidiary of Deutsche Bank.

He and others want more account taken of minority interests, especially to satisfy foreign institutional investors. Mr Manfred Mathes, head of Union Investment (majority owned by co-operative banks) and a member of the takeover commission, said the code should be strengthened to meet international standards. "The code has to be developed further, otherwise a legal solution will be imposed."

The code's main provisions are that:

- Any company acquiring more than 50 per cent of another must make an offer for the rest. Those wanting to strengthen the code think this threshold is too high. It compares with 29.9 per cent in the UK and the European Commission's suggested 33 per cent.
- The price offered to minority shareholders must be in line with the market price and no more than 25 per cent below that paid by the bidder in the six months before going above 50 per cent. Mr Strenger said the discount was too large. "It is hard to justify any sort of discount."
- The offer should be made within 18 months. Some think this too long, though companies argue it can take at least this time to complete the legal steps necessary for a takeover. "An offer should be made [to minority holders] when the takeover takes place," Mr Mathes said.

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Pechiney shares slip despite sales growth

Pechiney, the French aluminium and packaging group which is in the process of privatisation, yesterday announced that turnover rose almost 20 per cent to FFr60bn ($12.35bn) in the first nine months. Its non-voting investment certificates slipped FFr3.7 to FFr208.7, amid lingering concerns about the share sale. Mr Jean Arthuis, the French finance minister, has dismissed suggestions he may suspend the issue. But analysts said he was likely to make a decision on the operation at the end of the pre-marketing period, which must last at least until the end of next week. *John Ridding, Paris*

Springer held by paper costs

Axel Springer, one of Germany's largest publishing groups, reported a 3.7 per cent rise in pre-tax profits for the first ten months to DM272m ($193m), despite an increase in paper costs which knocked DM110m off the figure. Sales climbed 3.7 per cent to DM3.47bn. Most of the advertising revenue, which increased 4.8 per cent to DM1.5bn, was earned from Springer's newspapers and not from television interests. The rise in profits and sales coincided with a restructuring programme which Mr Jürgen Richter, chairman, started in July 1994 after half the board was sacked in one of the most radical shake-ups in German industry. *Judy Dempsey, Berlin*

San Paolo snubs Ferfin issue

Istituto Bancario San Paolo di Torino, Italy's largest bank, and Monte dei Paschi di Siena, its Tuscan ally, yesterday decided not to underwrite the L950bn ($598m) rights issue proposed by Ferruzzi Finanziaria (Ferfin), the Italian holding company, and organised by Mediobanca, the Milan merchant bank. Monte dei Paschi, which owns 4.5 per cent of Ferfin, also said it would not take up its shares in the rights issue. San Paolo's parent company, which is Ferfin's largest shareholder, will not decide whether to take up its rights until nearer the December 7 Ferfin shareholder meeting. The decision means the underwriting consortium is likely to be dominated by Mediobanca and its banking allies. They are likely to increase their control over Ferfin if San Paolo's parent company decides not to subscribe to the rights issue. San Paolo and Monte dei Paschi are part of a loose network of financial companies which is trying to rival the dominance of Mediobanca and its corporate allies. *Andrew Hill, Milan*

ABB unit forecasts small rise

The Swedish unit of ABB Asea Brown Boveri is expected to report a pretax profit of SKr3.8bn ($507m) in 1995, up from SKr3.1bn last year, Mr Bert-Olof Svanholm, the chief executive, said. Mr Svanholm told the Dagens Industri newspaper he forecast the company's 1995 order book at SKr27bn kronor, up from SKr25bn last year. However, he said the order forecast depended on whether the company won either an order from the US for a "fast train", or another large order, which he declined to detail. *AFX News, Stockholm*

Deutsche Telekom upbeat

Deutsche Telekom expects to achieve a "double-digit billion mark" pre-tax profit in 1995, according to chief financial officer Mr Joachim Kroeske. Last year, the company posted a pre-tax profit of about DM3bn ($1.42bn), after paying a levy of DM5.2bn to the German government. *AFX News, Frankfurt*

■ Fiat, the Italian automotive group, said sales in the nine months to September 30 rose more than 19 per cent from a year earlier to L56,000bn ($35.2bn). *AFX News, Milan*

ING upbeat after 15% advance at nine months

By Ronald van de Krol in Amsterdam

ING Group, the big Netherlands-based financial services company, said net profits rose 15 per cent in the first nine months of 1995, helped in part by the "modest positive result" achieved by Barings, the UK bank it rescued in March.

Nine-month net profits rose from Fl 1.64bn to Fl 1.88bn ($1.19bn). In the third quarter alone, net profits were up 10 per cent at Fl 699m, compared with an 18 per cent increase to Fl 1.18bn seen in the first six months of the year.

The nine-month figures prompted ING Group to make an upwards adjustment to its full-year forecast.

It now expects earnings per share to be "clearly" higher than a year ago. In August, it predicted simply that the figure would surpass the 1994 result. The results were in line with expectations and ING's shares rose Fl 0.50 per cent to Fl 100.50.

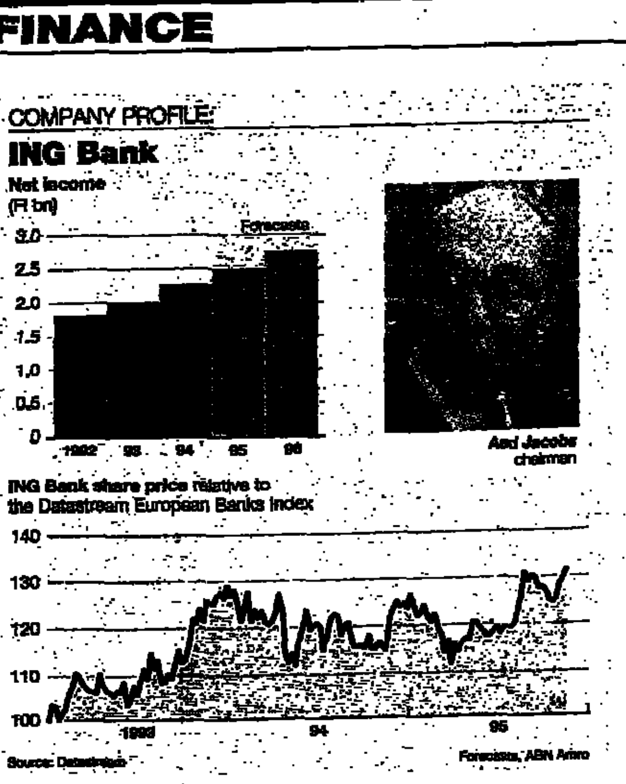
Insurance profits outstripped banking during the first three quarters, but both recorded strong rates of growth despite the negative effects of the guilder's strength against a range of currencies.

Insurance profits rose 18.3 per cent to Fl 1.48bn, buoyed by a 50 per cent surge in non-life operations.

The strong performance in non-life insurance came despite Fl 60m in claims from Hurricane Luis on the Caribbean island of St Maarten.

Life insurance profits rose 12.5 per cent, with premium income showing a 13.7 per cent rise when currency factors are excluded. Premium growth was particularly strong in the Netherlands, other European countries and Asia.

In banking, results rose 13.6 per cent to Fl 1.28bn, reflecting a substantial rise in trading results from Fl 44m to Fl 613m. This was caused partly by the consolidation of Barings, but also to a turnround in asset trading. ING gave no specific figures for Barings.



Kvaerner shares fall on talk of bid for Amec

By Hugh Carnegy in Stockholm

Kvaerner shares fell 5 per cent yesterday as reports circulated that the Norwegian shipbuilding, oil and gas and engineering group had bought a 12 per cent stake in Amec, a UK construction company.

The group's B shares closed down NKr11 on the day at NKr205 – in spite of having already dropped some 30 per cent over the year. Although results have been strong this year, doubts have persisted after difficulties in 1994 and worries about new orders and order reserves, which have fallen below last year's levels.

A move to extend the international reach of Kvaerner's oil and gas division through Amec's British North Sea operations is in line with the company's strategy to reduce its dependence on the Norwegian North Sea sector, where investment is expected to fall sharply in the next five years.

Kvaerner is Norway's second largest listed company and has not hesitated to look overseas for expansion. Since 1988, it has built a position as Europe's largest shipbuilder through the acquisition of the Govan shipyard in Scotland, Finland's Masa yards and the Warnow yard in Rostock, Germany.

Shipbuilding is now the largest division within Kvaerner, but the oil and gas operations, which offer a full range of offshore oil and gas installations, are the second largest, accounting for 26 per cent of Kvaerner's total revenues last year of NKr26bn ($4.2bn).

Kvaerner is keen to achieve a significant broadening of its oil and gas activities, which at present rely on the Norwegian sector for 85 per cent of revenues. "In the past we have not been very successful in international activities," acknowledged one executive.

The aim is to reach a balance between Norwegian sector and international revenues by the turn of the century, with the British North Sea sector as the main overseas base. Kvaerner had already moved to alter the structure of the division, intending to locate its headquarters in London.

Mr Erik Tonseth, Kvaerner chief executive, has made no secret of his belief that Oslo is not the ideal base for a company with international ambitions such as Kvaerner.

Henkel profits rise despite static sales

By Michael Lindemann in Bonn

Henkel, a leading German chemicals group, reported a 7 per cent rise in operating profits to DM519m ($368m) for the nine months ending September 30. This was despite static sales of DM10.6bn, partly because of the strength of the D-Mark.

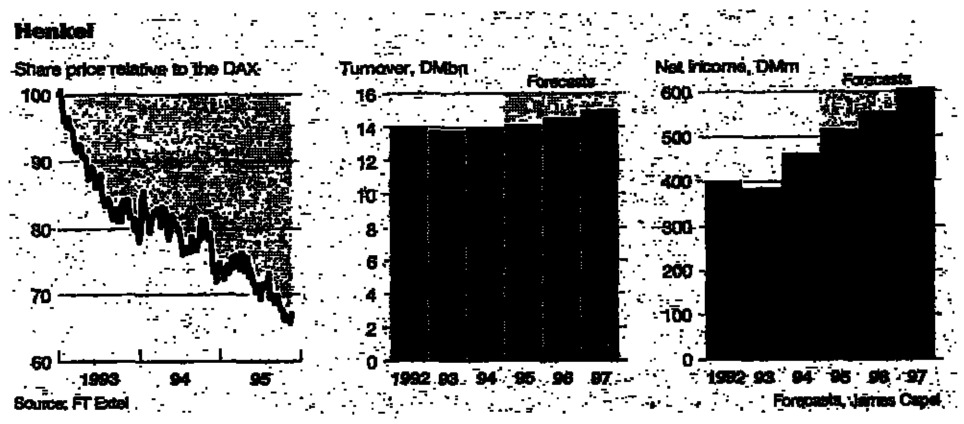
The family-owned group based in Düsseldorf warned it did not expect the consumer goods market to grow next year. Sales for the whole of 1995 were forecast to rise by about 1 per cent above last year's DM14bn, while net profits were expected to grow strongly to exceed the record DM464m of last year.

Sales and profits from speciality chemicals, especially adhesives and products used to treat metals, were expected to rise most strongly. The dividend for 1995 was forecast to be at least as high as the DM11 paid on the preferential stock.

As part of the expansion of its cosmetics business, Henkel founded a joint venture in Shanghai earlier this year. Yesterday the company said it saw "promising prospects for global growth" for its cosmetic division following the recent purchase of a 77 per cent stake in Hans Schwarzkopf, the German hair and body care company, from the Hoechst chemicals group.

However, Mr Uwe Specht, the group's managing partner, said an unspecified number of jobs would have to go at Schwarzkopf and at Henkel's own cosmetics operations, in order to maximise the efficiency of the two units.

Group sales in the first nine months would have grown 6 per cent had it not been for the strength of the D-Mark. Sales of washing powder, the second biggest of Henkel's activities after chemical products, fell 3 per cent because of currency movements.



De Benedetti set to take 60% slice of pizza group

By Tom Burns in Madrid

Cofir, the Madrid-based holding company controlled by Italian financier Mr Carlo de Benedetti's French group Cerus, is negotiating a 60 per cent stake in Telepizza, a leading fast food company which has a market value of about Pta10bn ($83m).

The investment, one of Cofir's biggest single acquisitions in Spain, would also resolve a bitter boardroom battle at Telepizza, as Cofir plans to restore Mr Leopoldo Fernández Pujals, the company founder, as chairman.

Mr Fernández Pujals, who owns 40 per cent of Telepizza, was ejected by Telepizza's other shareholders last month and these are now negotiating the sale of their combined equity to Cofir.

Telepizza was founded in 1987 and now controls 196 home-delivery pizza centres in Spain and another 54 in Europe and South America. It has forecast sales of Pta19bn this year, up from Pta12.3bn in 1994, and expects to double consolidated profit to Pta800m. The company is the domestic market leader in a fast food sector that analysts say is set to continue strong growth.

For Cofir, which is 45 per cent owned by Cerus and is traded on the Madrid stock market where 20 UK and US institutions control about 25 per cent of the stock, the Telepizza acquisition would mark a further diversification of its portfolio. In the past two years the holding company has added supermarket stores and Rioja wineries to its core investments in the real estate and hotel sectors.

If Cofir secures its stake in Telepizza, it is likely to choose its moment to take its shareholding to the market. Mr Gabriele Burgio, holding company chief executive, said his first priority was to "bring peace" to the company.

Cofir, whose 1994 consolidated net profit was up 44 per cent at Pta1.5bn, is also expected to place the 70 per cent stake it has built up in NH hotels, Spain's leading city hotel group.

Enichem finds the right formula

Institutional investors' enthusiasm for the privatisation stake in Eni, Italy's energy and chemicals group, is due in no small part to Mr Marcello Colitti, chairman of Enichem.

In only two years, Mr Colitti has transformed the loss-making chemicals arm from being the group's basket-case – an inefficient and unfocused business – into a profitable plastics producer.

He has been helped by the upturn, which saw plastics prices double last year, driven by increased demand. But a comprehensive reshaping has assured the company's survival during the next downturn too, says Mr Colitti, with the kind of confidence that has heartened many an investor.

Enichem's losses, of L1,410bn ($877m) on sales of L12,950bn in 1991, had been picked up for years by Eni's oil business, Agip, and the Snam gas operation. But as privatisation approached, the business was a clear burden within the group, and a non-starter as a stand-alone company.

The challenge for Mr Colitti was to restore the fortunes of a business, which, he says, was "dead", with a brief supplied by the Italian treasury defining its operations as either core, sellable or closeable.

"Heavy investments, and the merger of two indebted companies in Enimont, the fibres producer, had left Enichem with too many debts. Its costs were high, thanks to overstaffing and the burden of more than 40 industrial sites, and it was operating in practically every sector of the industry. It was also unclear whether it was a holding company or an operational unit," says Mr Colitti.

On the basis that "disorder is cured by centralisation," his first move, he says, was to regroup. "Operational companies were merged into the mother, and five divisions were created," including a services division instructed to service sites only where it could secure profits. This paved the way for a massive divestment and cost-cutting programme, which saw 24 plants, and four fertiliser sites, closed.

EVC, Enichem's former joint venture with ICI, was floated, its speciality chemicals business, Acna, was liquidated, and it has sold its detergents business, Enichem Augusta, to RWE-DEA, of Germany; its polyester packaging business, Inca, to Dow Chemical of the US; and large parts of its fine chemicals business, Enichem Synthesis, to different buyers.

In two years, its divestments have reached L2,661.2bn, of which L1,215.2bn have taken place this year. As a result, debts are now close to zero, says Mr Colitti, and its first operating profit, last year, is expected to become a pre-tax profit this year. It has reduced its variable costs from 68 per cent of sales in 1993, to 62 per cent this year, while fixed costs are down from 29.6 per cent to 18.2 per cent.

Yet there is still plenty to be done. Plant closures in southern Italy have been delayed through sensitivity over high local unemployment: and the company's environmental liabilities are sizeable.

It also still has problems with its fertilisers business, Enichem Agricoltura. Output has been cut, through closures, from 4.5m tonnes a year to 1.4m tonnes a year. But a planned alliance with Norsk Hydro fell through last year.

Similarly, the company is committed to selling its fibres business, Enimont, the joint venture with Montefibre, best-known as the company at the centre of Italy's most celebrated bribery scandal, in the early 1990s. Strong in both polyester and acrylics, the business is technologically competitive, but operating in difficult markets.

Elsewhere in the fibres industry, asset swaps have opened the door to consolidation. But, says Mr Colitti, no-one has proposed a swap for Enimont. "We will certainly divest it," he says, "but it may be sold on the stock exchange".

Nonetheless, the rate of progress has allowed a group privatisation, which has "guaranteed" Enichem's place within Eni, and thus its integration with oil, says Mr Colitti. This has given it an advantage in petrochemicals, driving its concentration on bulk plastics, polyethylene, polystyrene, polyurethane, and elastomers.

In polyethylene, the world's leading plastic, Enichem is a European market leader through its alliance with Union Carbide, Polimeri Europa, which accounts for 13 per cent of European polyethylene capacity.

The company will strengthen some of its other plastics businesses, notably polyurethane, he says.

Its investment budget has been cut back steadily since 1991, when it stood at L1,350bn, to only L237bn last year. But selective investments are now set to see that figure rise, to L315bn this year. This will not be directed outside Europe, however. "Enichem is now basically a European company," says Mr Colitti, "and it will remain so."

This concentration, in Europe, and in plastics, have tied the company's fortunes to a volatile, and mature, market. But Mr Colitti is not daunted: "Bricks were being made a century ago," he says, "and yet there are still people making money making bricks."

Further cost-cutting, an absence of debt, investment aimed at raising technological and administrative efficiency, and strategic alliances, will all ensure the company's future profitability, he says. Europe's petrochemicals industry "still faces structural problems", but for Enichem "the main lines of future development have been drawn".

Jenny Luesby

Rome may sell rest of Ina stake soon

The Italian treasury is seriously considering the sale of its remaining stake in Ina, the insurer, before Christmas, having closed the L6,300bn ($3.96bn) public offer of shares in Eni, the energy and chemicals group, two days early, write Andrew Hill in Milan and Antonia Sharpe in London.

The treasury is committed to selling its 34 per cent stake in Ina by mid-January, through a placing of government bonds convertible into Ina shares.

Bankers said yesterday that if Rome decided to rush through the sale before the end of December it would probably have to start sounding out investors' interest in the convertible bonds as early as next week.

The treasury closed the Eni sale on Wednesday after indications that small shareholders had ordered more than 400m shares – the lower limit for retail investment in the 1.2m share issue. The institutional tranches of the offer are already oversubscribed, and another 180m shares are reserved for sale later.

If all Eni shares are sold, the treasury will raise L7,245bn towards reducing government debt, on top of L2,500bn already raised this year by placing shares in Ina and IMI, the banking group.

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INTERNATIONAL COMPANIES AND FINANCE

Argentine brewer aims to tap Latin American neighbours

Despite losing Canada's John Labatt to rival bidder Interbrew, Quilmes is still seeking to expand, reports David Pilling

Latin American brewing

Argentines may not quaff beer to the extent of their UK, US or even Venezuelan counterparts, but to an ambitious brewery such as Quilmes this is part of their attraction.

"There's still plenty of room to expand," says Mr Norberto Morita, chief executive officer of Quilmes International, which controls nearly four-fifths of Argentina's beer market. He believes Argentine consumption, currently at an annual 38 litres a head, can "easily surpass" 50 litres.

This is not an unrealistic target, in spite of a drop in Argentine beer sales this year as a result of Mexican-related recession. In the UK, per capita consumption is about 106 litres, while Venezuelans, Latin America's most devoted beer drinkers, manage 70 litres a year. From a brewer's point of view, Argentines are already on the right track: consumption has quadrupled since 1982.

Much of that increase is due to the efforts of Quilmes, 85 per cent owned by Luxembourg-based Quinsa and 15 per cent by Heineken, the Dutch brewer that has provided technical help for Quilmes since 1984.

Quilmes, which also operates in Bolivia, Chile, Paraguay and Uruguay, has spent years aggressively marketing beer as a light, modern drink and an alternative to wine.

Quilmes' campaign has been aided by Argentina's economic stabilisation which – notwithstanding this year's downturn – has substantially increased disposable income since 1991. As wine consumption has dropped, beer sales have swelled. Quilmes has met demand by quadrupling production since 1985 to 12m hectolitres. Net sales surged from $271m in 1990 to $754m last year; profits rose from $16.1m to $86.7m over the same period.

Much of the resulting cash flow has been ploughed back into upgrading technology. Quilmes has invested $300m in new plant in the past three years without recourse to borrowing, and 60 per cent of production capacity is now in plant that is less than six years old. While increasing its volumes, state-of-the-art technology has enabled the company to cut staff by 2,000 to 5,500 since the mid-1980s.

This year has been harder. Argentina's recession caused Quilmes' beer sales to drop 3.3 per cent in the first half of 1995. That, together with the launch of a mineral water business and costs of an unsuccessful bid for John Labatt, the Canadian beer and entertainments group, lowered six-month profits 29 per cent to $25.3m. Gross margins and operating margins were also down.

"There's been a significant reduction of growth pattern this year – it's definitely not the boom time we have been used to year after year," Mr Morita says. However, he denies this is anything other than a temporary blip. Structural reforms in Argentina, and the other Latin American countries in which Quilmes operates, ensure the "long-term trend is inevitably upwards".

As well as recession, Quilmes has to contend with greater competition from Brahma of Brazil and Warsteiner of Germany, both of which have recently started producing beer in Argentina. In particular, Brahma has mounted a strong marketing campaign and is offering big price discounts.

Quilmes has so far maintained its grip with 78 per cent market share, but analysts believe competition could stiffen, particularly if Brahma makes improvements in distribution and stops diverting Argentine production to Brazil's booming market.

Mr Morita says Brahma's 7 per cent share of the Buenos Aires market is less than he had feared. "We were expecting much more aggressive competition. I'm pleasantly surprised," he says.

Not that Quilmes is complacent. As well as defending its position in Argentina, which Mr Morita calls Quilmes "centre of gravity", the company has pushed hard to boost sales in neighbouring countries. In Paraguay, where market share had fallen because of a shortage of capacity, the company opened a plant near Asunción this January. In the first half of 1995, market share jumped six points to 64 per cent.

In Chile, where Quilmes produces Becker and Báltica brands, share has risen from practically nothing in 1990 to 12.6 per cent last year. In Uruguay, a relatively sluggish market, the company has maintained its dominant position, while this year it has moved into Bolivia with the purchase of 50 per cent of a Santa Cruz-based brewery.

Such expansion, though impressive, has concentrated on countries with relatively small populations. "Now they are in most parts of Latin America, save the two most important markets – Mexico and Brazil," says Ms Lavinia Agnew, Latin American beverage analyst at ING Baring.

Ms Agnew believes entry into Brazil – whose 150m consumers and newly-found economic stability makes it Latin America's most exciting prospect – will not be easy. Brahma and Antarctica, Brazil's other big brewer, have forged strategic alliances with the US companies Miller and Anheuser-Busch respectively, and Heineken already has a stake in Kaiser, the country's third-biggest brewer.

Mr Morita acknowledges the potential of Brazil, but says Quilmes will not be drawn into attacking this market merely for the sake of "symmetry" – to emulate Brahma's encroachment on Argentine turf. "We are constantly in contact with companies in Brazil," he says. "But we will make the moves in a carefully planned way."

Quilmes served notice earlier this year that it was prepared to pounce on opportunities, when it agreed to put up $230m as part of a bid for Labatt. Although Interbrew of Belgium subsequently trumped the Quilmes consortium, Mr Morita demonstrated his company's global ambitions.

Femsa, the Mexican brewer in which Labatt held a stake, was by no means the only motive for Quilmes interest, Mr Morita says. Just as important was Labatt's management skills in Canada's mature market, which would have complemented Quilmes expertise in the fast-growing Latin American environment.

"The reason they jumped for Labatt is that, with the brewing business going global, they need a global presence, and there really aren't that many options around," Ms Agnew says.

Mr Morita agrees, saying Quilmes is "very opportunistic" and likely to make an acquisition soon. "We will focus on Latin America. But should opportunities arise outside the region," he warns, "we will jump."

This is the first in series of articles on Latin American brewing companies

T-D Bank pays more on record earnings

By Bernard Simon in Toronto

Toronto-Dominion Bank has opened Canadian banks' annual reporting season with record earnings and its third dividend increase in two years.

Net earnings climbed from C$683m, or C$2.14 a share, to C$794m (US$586.5m), or C$2.51, for the year to October 31. Return on equity rose from 13.3 per cent to 14.3 per cent and return on assets from 0.73 per cent to 0.76 per cent.

The quarterly dividend was raised from 22 cents to 25 cents a share.

T-D is the second smallest of the six big Canadian banks with assets of C$108.8bn on October 31.

Loan loss provisions almost halved to C$180m, the lowest level in more than a decade. The non-performing loan portfolio stood at C$704m on October 31, down from C$727m a year earlier.

Fourth-quarter earnings grew 15 per cent to C$226m. In addition to lower credit write-downs, the improvement was ascribed to record fee income, gains on securities investments, and stronger retail and US banking business.

Cott shares plunge after surprise loss

By Bernard Simon

Cott, the Toronto-based private-label soft drinks maker, lost almost a quarter of its market value yesterday after stunning the market with news of unexpected losses, a hefty restructuring charge, and a retreat from several businesses.

The setback is the culmination of gradually growing doubts about Cott, whose rapid growth over the past three years has strained its resources and drawn an increasingly aggressive response from competitors.

Cott has been in the vanguard of efforts to persuade retailers to replace brand-name beverages, notably Coca-Cola and Pepsi-Cola, with their own labels. The private-label concept is based on the argument that retailers enjoy wider margins and more control over distribution and marketing.

Cott's annual sales have soared from C$43m in 1990 to C$1.3bn (US$960m) this year. But critics have accused it of aggressive accounting practices and unreliable profit forecasts.

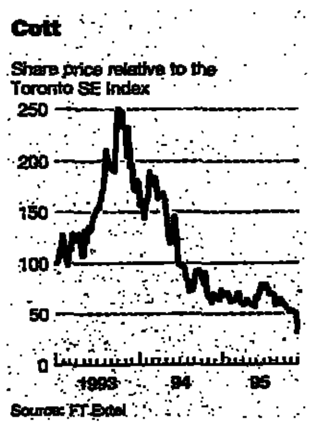
Mr Gerald Pencer, chairman, said yesterday: "Our focus now is to increase our profits, and quickly." He said future sales growth would be limited to about 15 per cent a year. Sales for the third quarter ended October 28 are estimated by management at C$340m, or 31 per cent higher than a year ago.

Third-quarter operating losses are estimated at C$2.5m, excluding C$8m in restructuring charges. A further C$32m will be charged against fourth-quarter income. Net earnings for the full year are expected to slide to about C$5m from C$34.8m.

Cott's shares were trading at C$6.88 on the Toronto stock exchange yesterday, down from their late-1993 peak of C$49.62.

Ms Jennifer Solomon, analyst at Josephthal Lyon and Ross in New York, said: "What we've had from this company all along is lots of surprises. In the past, it focused on top-line growth as opposed to profit growth. Now that's changing."

Cott plans to cut its workforce of 2,000 by about 11 per cent. It will focus on North America and the UK, shelving plans for further expansion in east Asia and continental Europe. Asset sales are expected to raise C$65m.



INTERNATIONAL COMPANIES AND FINANCE

Fairfax warns of lower earnings

By Nikki Tait in Sydney

John Fairfax, the Australian newspaper publisher, yesterday warned shareholders that it was looking at a "modestly lower profit" in the 1995-96 financial year, compared with the previous year.

It blamed the slowdown in economic activity in Australia, noting that its advertising streams were "highly sensitive" to general economic conditions.

"The impact of this difficult trading environment is being compounded by the substantial increases in newsprint and coated paper costs," Sir Laurence Street, chairman, told the annual meeting.

He said that in the first quarter of the current year, newsprint cost increases had averaged 22 per cent, and for coated paper, 42 per cent.

The chairman added that uncertainty surrounding the timing and outcome of the next federal election in Australia would also affect business and consumer activity, but that Fairfax remained hopeful there would be some resurgence in the economy in the second half. In 1994-95, Fairfax made an after-tax profit of A$147.3m (US$109.8m).

After the meeting, Mr Conrad Black, the Canadian media proprietor who owns 25 per cent of Fairfax, said he was hopeful the profit fall would be fairly small.

"I'm hopeful it will not be as much as 10 per cent. If it is, it's just an aberration," he said.

Mr Black also suggested that the prospects for his Telegraph group being allowed to raise its stake in Fairfax – currently pegged at 25 per cent by Australia's rules on foreign ownership of the media – were improving.

"I think the probabilities are good and I think the climate has changed for the better just in the last couple of years," he said. "We assume that our case will be judged positively eventually," he added.

Fairfax has two other media proprietors on its share register: Mr Kerry Packer, the Australian businessman, with a stake of about 17 per cent, and Mr Rupert Murdoch, with an interest below the 5 per cent disclosure level.

Conrad Black: hopeful profit fall will be fairly small

Philippines government under fire over its oil policy

Price-pegging is hitting profits and balance sheets of the country's three leading producers

The growing politicisation of petrol prices in the Philippines has all but guaranteed a poor financial year for the country's three oil companies.

The government, confronted with threats from splinter left-wing groups, has repeatedly backed down from approving higher oil prices – most recently this week.

The three companies – Petron, the privatised concern 40 per cent owned by Saudi Armaco; Pilipinas Shell, the local arm of the Anglo-Dutch group; and Caltex (Philippines) – estimate that the oil price buffer fund, a reserve designed to shelter the Philippines from global price fluctuations, will hit 7.6bn pesos (US$270m) by December.

The mounting deficit, which is funded by the three companies who are then repaid by the government minus interest charges, has hurt Petron's balance sheet this year and is expected to eat into 1995 net profits at Shell and Caltex.

In a letter to the minister of finance, which was released yesterday, Mr William Tiffany, chairman of Caltex Philippines, complained that the growing buffer deficit had put the company in a "precarious cash position".

Petron recently announced net profits of 1.97bn pesos for the first nine months – which was 25 per cent below last year's results – and this week its shares touched a low of 10 pesos as the market reacted to the government's foot-dragging. However, analysts point out that Petron's price/earnings ratio of 24 is still well above the market average, suggesting the share price could still have a downside.

"We are all suffering financial losses from the price increase delay," says Mr Reinier Willems, chief executive of Pilipinas Shell in Manila. "We are having to borrow large sums of money to cover the buffer fund shortfall, but will only be repaid the principal of the debt we have incurred," he says.

Having so far borrowed about US$80m to fund its share of the deficit, Shell's losses would be more than US$10m on an annualised basis.

The government, which has pledged to increase petrol prices in the first quarter of 1996, is committed to the full liberalisation of the oil industry by January 1997.

However, concern over rising inflation – which hit 11 per cent last month owing to the near doubling of rice prices – and the introduction of an expanded sales tax next year have led many to question its commitment to more realistic oil prices.

"The best-case scenario is that world crude oil prices fall by so much between now and next January that the oil price increase becomes unnecessary," says Mr Joey Salceda, chief researcher at SBC Warburg in Manila. "Either that, or the government pays its debt to the oil companies before the end of the year."

The Philippine congress, which this month approved a measure appropriating 10bn pesos of taxpayer's money to restore the buffer fund to surplus at an unspecified date, is expected to approve an oil liberalisation bill within a year.

The law, which would break up the oligopoly by opening the market to other foreign groups, would abolish the buffer fund and put an end to subsidies. Tariffs on imported crude oil would fall from 10 per cent to 3 per cent, thus softening any impact of the much-awaited oil price rise.

For the three oil companies, the prospect of moving to a full market pricing regime in the next 15 months is a distant consolation for the growing drain on their 1995 balance sheets.

In addition to the buffer fund debts, Caltex and Shell have high debt-to-equity ratios, having borrowed heavily to fund the construction of refinery plants.

Earlier this year, Shell, which at 3.5 per cent is posting returns well below the 12 per cent limit imposed by the government on the oil industry, completed the upgrading of its US$550m refinery in Batangas, which has a capacity of 155,000 b/d.

Caltex, which recently announced plans to borrow more than US$500m for a similar expansion scheme, is thought to have a high gearing ratio. Neither company publishes details for their Philippine subsidiaries.

"Our substantial longer-term borrowings, which were originally intended for our refinery expansion project, have been diverted to meet our cash flow problems [on the buffer deficit]," says Mr Tiffany in his letter to the government.

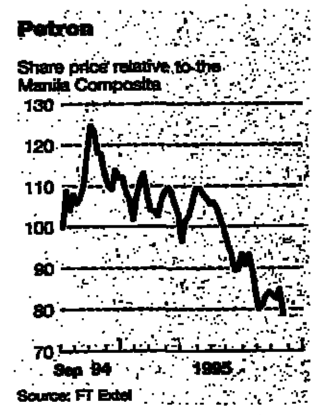
Petron, which through a conservative accounting policy does not calculate the money owed it by the government on its balance sheet, has a lower gearing ratio but is thought to be vulnerable to the onset of full-blooded competition.

The privatised company, which remains 40 per cent owned by the Philippine government, has steadily lost market share to its two competitors and is expected to be put under heavy pressure once new groups emerge.

Exxon, Coastal Petroleum and Mobil, all of the US, have expressed interest in a share of the Philippine market once prices have been deregulated.

"Some people say that Petron's shares are for widows and orphans because big utilities guarantee regular long-term dividends," says Mr Noel Reyes, a researcher at Dharmala Securities. "But I would advise even the widows and orphans to steer clear of Petron at least until the buffer fund is in surplus."

Edward Luce

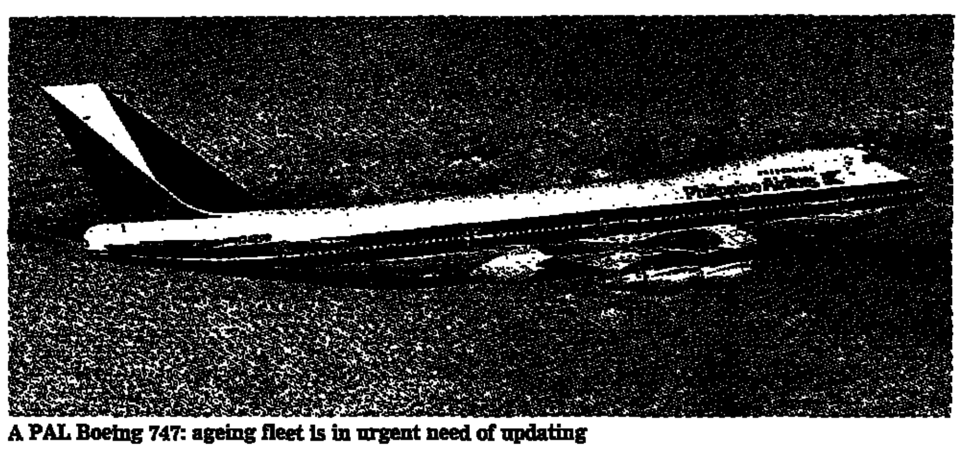


Source: FT Extel

THE PHILIPPINES LINE-UP

Top 10 by sales	(Pesos bn)	Top 10 by profits	(Pesos bn)
Napocor	59.62	PNOC	19.355
Petron	47.07	San Miguel	11.88
Meralco	44.16	Napocor	7.46
San Miguel	39.06	J.G. Summit	6.02
Pilipinas Shell	33.09	PLDT	5.22
Caltex (Phils)	28.69	Ayala Corp	5.19
PAL	26.99	Pagcor	4.68
PNOC	23.74	Petron	3.74
PLDT	23.12	Meralco	3.62
Nestlé	19.05	Mermac	3.09

Source: company statistics



A PAL Boeing 747: ageing fleet is in urgent need of updating

Share dispute and higher costs keep Philippine Airlines in red

By Edward Luce in Manila

Philippine Airlines, the troubled national carrier, announced another set of weak results yesterday. It recorded a loss of 909.5m pesos (US$34.7m) for the first six months of its financial year.

The losses, which were not accompanied by comparable figures for the same period last year, follow a net loss of 1.72bn pesos for 1994, almost three times as much as in 1993.

PAL executives, who have been prohibited by the courts from executing a 2.5bn pesos capital rescue plan because of a dispute over share ownership, said higher maintenance costs and operating expenses were behind the disappointing results for the first half.

The former state-owned airline, which was hit by a labour dispute earlier this year, said it was lobbying the government to permit 50 per cent fare increases on the domestic flights it is mandated to fly.

Airline executives also complained that the government's deregulation of the domestic air industry, which has seen the entry of several local rivals, should be accompanied by the scrapping of obligations on PAL dating from the pre-privatisation era.

Industry analysts, however, say the share dispute is the main obstacle to restoring PAL to profitability. It has pitted Mr Lucio Tan, chairman and owner of a 67 per cent stake in the airline, against the government, which contests Mr Tan's right to speak for its stake in the holding vehicle he controls.

The Philippine Securities and Exchange Commission has frozen all capital-raising plans until it has ruled on the legality of Mr Tan's stake.

"PAL is going to continue to lose money until the SEC rules one way or another," a PAL executive said yesterday. "The problem is that whichever way it rules, the losing party is bound to take it to the supreme court, which means our agony will be prolonged even more."

PAL's ageing fleet of Airbus 300s and Boeing 747-400s is in urgent need of updating. Punitive borrowing rates stemming from the bitter tussle over share ownership suggest that the national carrier's only realistic hope is to await the resolution of the share dispute before going ahead with the 2.5bn peso capital infusion plan.

CG Smith ahead 33% for year

By Mark Ashurst in Johannesburg

C. G. Smith, the South African industrial group, lifted pre-tax profits by 33 per cent to R2.02bn ($554m) for the year to end-September, helped by improved margins and a strategy of concentrating on its core businesses.

Earnings per share rose 30 per cent from 106 cents to 137.4 cents, and the dividend for the year was lifted from 36.8 cents to 48 cents. Restructuring in the food division produced a net extraordinary charge of R43.1m.

Attributable earnings after tax totalled R1.3bn, of which R647.8m was attributable to shareholders in the holding company.

Sales rose 13 per cent to R23.6bn, comprising 3 per cent volume growth in the food processing operations and 9 per cent in paper and packaging operations.

Nampak, the mainstay packaging operation, posted a 34 per cent rise in operating profit on the back of improved throughput.

Mr Robbie Williams, group vice-chairman and chairman of its core food subsidiary, said improved productivity at C. G. Smith Foods had led to a rise in operating margins from 6.1 per cent to 7.2 per cent, resulting in a 30 per cent rise in operating profits to R1.2m.

He forecast a less marked increase in earnings in 1996, amid difficult trading conditions in the food sector.

ASIA-PACIFIC NEWS DIGEST

Agreement close on BTR Nylex deal

Shareholders in BTR Nylex, the Australian-listed arm of BTR of the UK, were yesterday understood to have approved the scheme of arrangement allowing BTR to mop up the 37 per cent of BTR Nylex it does not already own, at a cost of about A$4.48bn (US$3.3bn).

Official notification to the Australian Stock Exchange of the voting outcome will not take place until today. However, proxy votes have been heavily in favour, with about 454.4m shares voted in support of the scheme and less than 1m shares opposed to it.

Mr Alan Jackson, BTR Nylex chairman, told shareholders the scheme would significantly enhance the combined group's potential for global growth, particularly in the Pacific Rim and south-east Asia. He also indicated that, with Australia expected to see lower growth rates than in the 1980s, BTR Nylex needed to invest offshore.

"Three per cent growth on a gross domestic product basis is not something that will excite any of us, and we can all do better with our money than that. So we will need to invest outside the country to see the growth," he said.

Nikki Tait, Sydney

Restructuring at Coles Myer

Coles Myer, the Australian retailer which recently has been the focus of institutional concerns over corporate governance standards, has announced an internal restructuring under which its 12 retail businesses will be consolidated into two operating divisions.

One division will be headed by Mr Dennis Eck, currently managing director of the supermarkets business. This unit will take in the supermarkets, Kmart discount stores, Red Rooster restaurants, and the Liquorland and Officeworks chains. The second will include the more upmarket department stores, and the Katies and World 4 Kids chains. This will be headed by Mr Peter Wilkinson. There will also be separate property and retail services divisions.

Coles said it was promoting Mr John Schmoll, currently group general manager for accounting and planning services, to chief financial officer.

That position was left vacant following the acrimonious departure of Mr Philip Bowman, who had joined the Australian group only months earlier from Bass of the UK.

Nikki Tait

Ansett sells TNT holding

Ansett, the Australian airline, has sold its entire holding of TNT shares for A$44.1m (US$32.9m). The sale, announced yesterday, comes less than a week after TNT, the Australian transportation group, announced it had reached an outline agreement to sell its 50 per cent interest in Ansett to Air New Zealand in two tranches, for A$425m.

Ansett's 23.1m shares in TNT were sold through the market at A$1.91 shortly before the close of trading yesterday. "The proceeds of this transaction will provide additional liquidity and profit benefit for the Ansett group," Mr Graeme McMahon, chief executive, said.

According to Ansett's last accounts, the equity holding was carried in the books at A$34.8m. TNT's shares closed three cents lower at A$1.95 yesterday.

Nikki Tait

Record profits for steelmaker

A buoyant market for India's steel products has helped Tata Iron and Steel Company, the country's biggest private steel company, to record earnings in the first half, with after-tax profits more than doubling to Rs2.01bn ($57.8m), against Rs868m a year earlier.

The company, the flagship of the Tata group of businesses, reported growth in both production and sales in its core steel products and announced an improvement from its new cement division, where sales rose 159 per cent to 443,200 tonnes from a year ago. Tisco said earnings from cement, which has been a loss-making division, were "significantly better".

Overall turnover rose 29 per cent to Rs24.9bn in the first half, with steel sales volume up 21 per cent to 1.1m tonnes from 913,000 tonnes a year ago. Sales of hot rolled coils almost doubled from 143,000 tonnes a year earlier to 282,000 tonnes. It said steel production rose from 1.08m tonnes to 1.32m.

The company also reported a 32 per cent improvement in export earnings from $74m to $94m, compared with the first half of 1994-95.

■ **Mukand**, the Indian steel products manufacturer, posted a net profit of Rs161.12m for the first half, up 55 per cent from the Rs140.01m earned in the first half of the previous year. Sales advanced from Rs3.97bn to Rs4.83bn.

Mark Nicholson, New Delhi

Indian aluminium group ahead

The Indian Aluminium Company Limited, in which Canada's Alcan Aluminium holds a 34.6 per cent stake, posted net income of Rs482.7m ($13.8m) for the half year ended September, an increase of 41 per cent over last year.

Sales improved 23 per cent to Rs4.8bn. Exports, which account for 18 per cent of net sales, grew to Rs850.4m, an increase of 36 per cent over last year. Earnings per share climbed from Rs9.65 to Rs13.57, while the interim dividend has been pegged at Rs2 a share.

The company said an improved performance at its power station in Hirakud, Orissa, and at the the company's smelter in Belgaum, Karnataya, increased the production of primary aluminium by 58 per cent on last year.

Indal plans to expand alumina capacity at the two alumina plants by 40,000 tonnes at a cost of Rs302m. The expansion will include improvements to significantly reduce operating costs. The company also plans to install new equipment at a cost of Rs168m to increase production of laminated foil and packing materials.

Shiraz Sidhva, New Delhi

Videocon result disappoints

Videocon International, India's leading consumer electronics manufacturer and the largest company in the Dhoot family's Videocon group, lifted its net profit by 4.5 per cent to Rs451.5m ($13m) in the first six months to end-September from a year earlier.

Group sales climbed from Rs5.3bn to Rs7.6bn, an increase of 43 per cent. Analysts described the rise in net profit as disappointing but not unexpected.

Analysts have downgraded most companies in the consumer appliances sector because profits have been eroded by high promotional expenses as a result of fierce competition. The entry into the sector of multinational companies such as Sony will also cut into the market share of these companies, analysts say.

Videocon International makes and distributes televisions and audio products. It also markets washing machines, air-conditioners and refrigerators.

AP-DJ, Bombay

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Slump in forex volume expected to hit Exco

By Patrick Harverson

The slump in trading volumes on world foreign exchange and money markets caused more blood to be shed in the City yesterday when Exco, the moneybroking group, issued a profits warning and said it was taking further steps to cut costs.

Those steps are likely to involve further redundancies and pay cuts, although the group – which saw its shares drop 21p to a new year low of 120p - would not be drawn on how many more jobs might have to go. Exco said it would take a £4m ($6.3m) restructuring charge to cover the costs.

The group has already saved £15m this year by reducing its headcount by 216 to 1,586 and slashing pay packages in an attempt to bring costs more into line with the lower levels of trading activity.

Analysts yesterday lowered their full-year profits forecasts from about £31m to between £20m and £25m, against £43.5m in 1994. The downgrades followed Exco's warning that turnover this year would fall by about 13 per cent, leaving annual profits "markedly" below current market estimates.

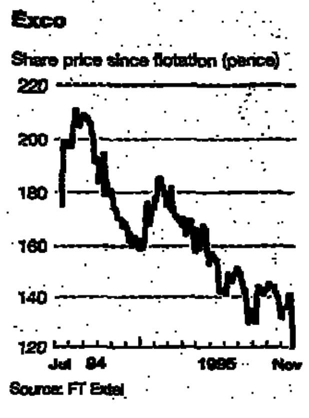
Despite the bleak outlook, Exco said it would be able, barring "unforeseen circumstances", to pay a final dividend of 6p and maintain the total annual payout at 9p.

Mr Peter Edge, chief executive, said cost-cutting at Exco was an "ongoing process". He said: "This is not a knee-jerk reaction. We are steadily trying to bring down the cost base and become more efficient."

Exco and other City brokers have been hit hard this year by reduced volatility on financial markets, a fall in currency and government bond trading by banks, and declining brokerage commission rates.

Also, on the spot foreign exchange market, the traditional brokers have lost business to newer electronic dealing systems run by Reuters, the financial information group, and EBS, an operator owned by a consortium of commercial banks. The increased competition and the general deterioration in market conditions has forced many firms to lay off brokers and cut staff wages and bonuses.

Yesterday's profits warning is the latest setback for Exco, which only returned to the stock market in July 1994.



Source: FT Extel

Improved margins boost Storehouse

By David Blackwell

A strong performance from Mothercare and improved margins helped Storehouse lift interim profits by more than 40 per cent in spite of a slight fall in sales.

The group, which also owns the BHS chain, boosted pre-tax profits from £24.2m to £34.5m ($54.5m) for the 28 weeks to October 14. The latest figures include an exceptional gain of £1.2m from the disposal in June of the One-Up discount chain.

Sales were flat at £519.1m (£518.8m), partly reflecting the effect of the disposal. However, like-for-like sales at BHS were 3 per cent down.

"This has not been an easy half," said Mr Keith Edelman, chief executive. "The market has been unremittingly competitive and the less said about the weather the better."

While sales in October had been slow as the hot weather lingered, they had picked up this month. While not counting on any rise in consumer expenditure, given a reasonable Christmas Mr Edelman was "cautiously optimistic" about the second half.

Operating profits at Mothercare more than doubled to £9.3m (£4.2m) on sales ahead from £155m to £164.9m. Lower mark-downs after a clearance of clothing stocks in the previous first half resulted in an improvement of 3.1 percentage points in gross margins. Gross margins at BHS rose by 1.5 percentage points, reflecting better stock management and changes to the loyalty discount card scheme, which also affected sales.

Granada's strategy 'hugely flawed' and offer 'inadequate'

Forte denies further approaches

By Scheherazade Daneshkhu and Raymond Snoddy

Forte, the UK's largest hotels company, yesterday attacked Granada Group's £3.3bn hostile bid as "hugely inadequate". It said the TV and leisure company's strategy for Forte was "hugely flawed".

Sir Rocco Forte, chairman and chief executive, said that Granada's bid was "two years too late".

He was scathing about the experience of Mr Gerry Robinson, chairman designate of Granada, in marketing branded products.

Lord Forte, 87, Sir Rocco's father and the man who founded the empire, is taking an active interest but not an active role in Forte's defence strategy.

"It would be a fool who didn't ask his advice and if we didn't have it we'd have to pay a fortune for it," said Mr Richard Power, director of communications at Forte.

Lord Forte saw off the 1971 hostile bid from Allied Breweries which divided the board of what was then Trusthouse Forte.

Mr Power said Mr Robinson "had all the hallmarks of someone who doesn't understand the hotel business and how marketing and branding work". Forte would continue with its strategy of turning the company from a conglomerate, as it was two years ago, into one focused on hotels and catering, he said. The company has strongly advised its shareholders to reject the offer.

While a possible defence strategy for Forte was to look for a "white knight" in the form of a bid from a friendly company, there was none on the horizon yesterday.

Forte said it had not been approached by Suntory, the Japanese brewer, and had received no offers from any company other than the "unsolicited and unwelcome" hostile bid from Granada.


Sir Rocco Forte: continuing Forte's focussing strategy

Several analysts said yesterday that Forte had a tough fight on its hands. The bid includes a full cash offer of £321.67p per Forte share.

Granada has said that it would dispose of Forte's 68 per cent stake in the Savoy group, the remaining Forte stake in Alpha Airports and the motorway service stations.

It would also be open to offers for some of Forte's trophy hotels.

Mr Alex Kyriakidis, partner in charge of leisure worldwide at Arthur Andersen, the accountant and business consultant, doubted that Granada would find buyers easily for the large number of trophy hotels owned by Forte.

Most observers agree Granada would have to increase its offer if it wanted to clinch the deal. Mr Russell Kett, director at HVS International, a London-based hotel and valuation consultant, said that the value of Forte's London hotels would have increased by at least 25 per cent since they were last valued in January 1994.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abacus	Yr to Sept 30	68.5	(37.5)	6.62	(4.24)	12.9	(9.7)	3.2	Jan 25	2.88	4.8	4
Avesco	6 mths to Sept 30	8.71	(11.7)	0.811	(7.94L♠)	8.3♦	(91.9L)	1.5	April 9	nil	-	1
Babcock Intl	6 mths to Sept 30	393.7	(348.9)	19.18♥	(2.83)	10.77	(0.85✻)	1.25✝	Jan 29	nil	-	0.4
Bogod	6 mths to Sept 30	2.75	(3.11)	0.078	(0.059)	0.91	(0.7)	0.11	Feb 2	0.1	-	0.35
Brockhampton	6 mths to Sept 30	13.9	(13.8)	4.3	(3.77)	31.8	(31.3)	5.2	Jan 3	3	-	12.4
Caledonia Invs	6 mths to Sept 30	28.7	(26.4)	22.8	(22.7)	17.5	(16)	5.9	Jan 18	5.7	-	17
Chloride	6 mths to Sept 30 ★	58.96	(50.65)	3.54	(1.04)	1.2	(0.3)	0.133	Jan 26	0.1	-	0.3
Darby §	6 mths to Aug 31	9.19	(8.29)	0.407♠	(0.565)	2.19	(2.36)	0.9	Jan 22	0.9	-	1.9
Locker (Thomas)	6 mths to Sept 30	16.5	(14.4)	0.748	(0.104)	1.09	(0.15)	0.3✝	Jan 2	0.2	-	0.45
Macdonald Martin	6 mths to Sept 30	18.1	(16.4)	4.02♥	(2.83♠)	20.93	(12.73)	2.75	Jan 15	2.5	-	10.65
North West Water	6 mths to Sept 30	531.3	(488.4)	167♥	(136.8♠)	41.2	(34.3)	9.27☆	Feb 16	8.35	-	25.55
On Demand Info §	Yr to July 31	8.79	(5.23)	3.65L	(2.62L)	7.2L	(5.7L)	-	-	-	-	-
Powell Duffryn	6 mths to Sept 30	435.1	(353.9)	13L♠	(17)	18.5L	(17.9)	8	Jan 9	8	-	25
SB Holdings	Yr to Mar 31	72.1	(58.2)	6.52♠	(2.12♥)	-	(-)	-	-	-	-	-
Storehouse	28 wks to Oct 14	518.8	(519.2)	34.5♥	(24.2)	5.6	(3.9)	3	Feb 8	2.7	-	6.3
Tex	6 mths to Sept 30	10.8	(12.7)	0.225	(0.283)	2.4	(3)	nil	-	nil	-	nil
TLG	6 mths to Sept 30	186.3	(167.9)	11.4	(4.4)	4.1	(2.6)	1.4	Feb 15	-	-	2.6
Tomkinsons	Yr to Sept 30	20.6	(19.5)	1.13	(0.718)	12.3	(7.7)	8	Feb 29	8	11.5	11.5
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
American Opp	Yr to Sept 30	198.4	(150.1)	0.127L	(0.089L)	1.69L	(1.18L)	-	-	-	-	-
Gartmore Shared	6 mths to Oct 31	83.6	(71.1)	2.1	(1.54)	4.67	(4.54)	2.4#	Dec 30	2.4	-	9.6
Martin Currie Euro	6 mths to Oct 31	132.4	(117.9)	0.350	(0.228)	1.52	(0.99)	-	-	-	-	0.29
Murray Emerging	57 wks to Oct 31	83.63	(95.5‡)	0.659	(-)	1.21	(-)	1	Feb 29	-	1	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ♦Adjusted for share consolidation. ✻Restated. ✝Foreign income dividend. §USM stock. ☆Excludes 3.8p special dividend. ★Comparatives restated. #Second interim; makes 4.8p to date. ‡At beginning of period.

Fall in interest charge helps TLG

By Motoko Rich

In its first full half as a public company, TLG, the industrial lighting equipment manufacturer floated in November last year, reported pre-tax profits more than doubled from £4.4m to £11.4m ($18m).

The profits, achieved on turnover up 11 per cent to £186.3m (£167.9m), were helped by a significantly reduced interest charge, from £5.2m to £600,000, following the flotation.

Mr Hamish Bryce, chairman, said the group had also improved its cash flow generation and that it was un-geared.

Sales rose on the back of market growth in European lighting although the market in Germany had contracted by 5.9 per cent. However, Mr Bryce said TLG's sales in Germany only fell 2.3 per cent, indicating a rise in market share.

Sales in the UK rose 7 per cent for operating profits up 12 per cent while the rest of Europe saw sales rising 13 per cent with operating profits up 34 per cent.

In Asia, operating profits rose 38 per cent on sales up 16 per cent.

Earnings per share expanded to 4p (2.6p).

NW Water justifies dividend increase

By Peggy Hollinger

North West Water yesterday became the first of the 10 water and sewerage companies to justify its dividend increase to the industry regulator as it announced an 11 per cent rise in the first-half payment and better-than-expected interim profits.

Mr Brian Staples, chief executive, said the company had taken the view that the best way to unlock shareholder value was to endorse the regulator's stance, "not to fight *against him*".

North West said its dividend increase had been based on normal business growth and *out-performing of regulatory* targets.

Littlewoods warns

Littlewoods, the UK's biggest family-owned company, is urging shareholders to vote against co-operating with a potential external takeover bid, and offering to buy out any who wish to sell their holding in a share buyback worth up to £250m ($395m), writes Neil Buckley.

A 16-page circular, received by the 32 shareholders yesterday, also includes a warning that current-year profits will be "some way below last year's".

Microsoft stake

Microsoft has placed all of its 17.9 per cent stake in Dorling Kindersley, the UK reference book and CD-Rom publisher, with British and continental European investors. The US software group raised £61m.

Peptide float

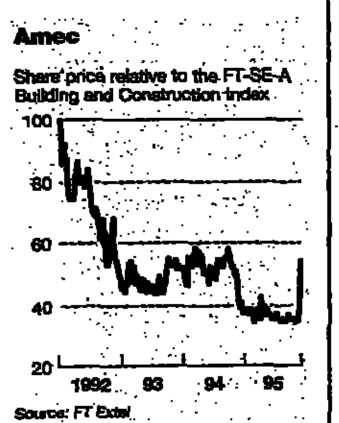
Peptide Therapeutics, the biopharmaceutical company, yesterday priced its shares at 200p, giving the group a flotation value of about £68m, at the high end of expectations.

Mr John Brown, finance director, said the placing had been "well covered".

LEX COMMENT

Amec stake

The purchase by Norway's Kvaerner of 10 per cent of Amec, the UK construction company, yesterday smells like the start of a hostile bid. This is a rare event in the UK construction industry, not least because there is little reason to buy into this struggling, low-margin business. A Kvaerner bid would have some logic, though. Amec's overseas operations *would help* Kvaerner's push into new markets, while Amec's expertise in project management would be useful within Kvaerner's oil rig business. But unless the Norwegian company plans to sell or shrink the low-margin UK contracting business, it is hard to see value in a deal.



Source: FT Extel

Amec's *management will have to struggle* to convince shareholders that the company is worth more than the £1 a share paid by Kvaerner in the market so far; investors have watched the stock under-perform the sector as well as the market in the last few years.

Hints of a deal with McAlpine suggest there is an alternative route. But neither of these UK companies are exactly the jewels in the crown of the construction industry. To reject an offer of £1 a share, or 45 times 1995 earnings, investors would have to be confident that earnings growth wouldimprove rapidly. This cannot happen without some removal of the industry's chronic overcapacity. Wimpey's asset swap with Tarmac may point the way, but it will not reduce capacity. Rationalisation is much talked about, but investors should remain sceptical until it is actually happening.

Nottingham: the Inland Revenue is taking up space in new and distinctive buildings

■ **Office:** by Paul Cheeseright

Locals take the lead

The institutions have proved willing to back regional developers' schemes

If there is a new office development in the East Midlands, the chances are that the property company behind it will come from within the region.

The overweening confidence which led London developers in the late 1980s to spread their activities over the regions, often with damaging results to themselves, has passed. Speculative developments are rare.

"To a large extent the competition you come across on most of the sites are regional developers," says Luke Pickering, director of the Lincoln-based Simons Estates. His company is developing the Island site in Nottingham. It is, he thinks probably the biggest office development in Nottingham, at 360,000 sq ft, since the second world war.

But the reluctance of London developers to become involved in the market does not apply to the financial institutions. "There's been an increase in institutional demand. Offices have been fashionable in the last couple of years. It's perceived that Nottingham rentals will grow. Nottingham particularly has been picked out as the East Midlands town with the most growth potential," Mr Pickering says.

The Simons development has behind it the Gulliver Development Property Unit Trust. The other large office development in Nottingham, the transformation of the old General Hospital into 265,000 sq ft of office by Comfort House, has behind it Royal Insurance.

Investors looking for office properties in the East Midlands would tend to look towards Nottingham. The city is the largest element of the fragmented regional office market based also on Derby, Leicester, Lincoln and Northampton. For all that, Nottingham is a small market. The total office stock of the city is about 5.5m sq ft, roughly the same as that of Cardiff or Newcastle, but smaller than that of Bristol and about 33 per cent of the size of the Birmingham market. Compared with London it is a minnow.

As an investment, offices in the region have performed erratically. In the heyday of the 1980s property market, total returns reached at one stage 35.5 per cent a year, according to Investment Property Databank. But this decade the figures have been less heady: 6.5 per cent in 1991, 3.8 per cent in 1992, 18.3 per cent in 1993 and 13.2 per cent in 1994.

Part of the expectation of rental increases comes from the fact that office development across the region has been at a low ebb. Jones Lang Wootton, chartered surveyors, noted that with minor exceptions there had been no recent new developments in either Derby or Leicester. Those in Loughborough have tended to be associated with the university. In Northampton, interest has been in offices out of the centre rather than in it. In Lincoln, there is no speculative development.

The recovery in export-led manufacturing has not spilled into other sectors of the economy, engendering the willingness to undertake office expansion. But that general point does not mean that there has been no demand for new office space.

The Nottingham market, reports Nick Ebbs of Innes England, chartered surveyors, in the last 18 months has seen commitments made on 270,000 sq ft of new or modern office space. "The general churn" on the market, as he puts it, was between 50,000 and 75,000 sq ft.

But these have been exceptional times. "It is an extremely lumpy market, with years of feast and famine, very much driven by its own peculiarities," says Mr Ebbs. These peculiarities concern both the arrival of the Inland Revenue, taking up its space in new and

> Car parking is easier in off-centre sites

distinctive buildings, and the fact that 25-year leases taken by government departments in the early 1970s have been running to their expiry.

The departments have been taking the opportunity to move into better accommodation – the Benefits Agency and the Health and Safety Executive into the redeveloped Pearson's department store building for example. This has led to a glut on the market of 1960s and 1970s buildings, a characteristic also of Derby.

Mr Ebbs calculated that 13 buildings, providing about 400,000 sq ft of space will be arriving on the Nottingham market over the next two years. This factor, combined with the likelihood that government demands for space will fade after the present round of reorganisation, could suggest that the market will be fragile.

But that is not necessarily the case for the highest grade accommodation. There is likely to be a continuing undercurrent of demand from the private sector for more efficient space than that provided by 1960s and 1970s buildings with their confined spaces and frequent lack of flexibility to accommodate the latest communications demands.

Nottingham will have its share of that demand. Indeed, it has already been manifest both in the city and other regional centres.

For example, CCN, the credit scrutiny group, is taking in three phases more than 90,000 sq ft at Riverside Business Park, a development by Wilson Bowden, the property company, and PowerGen, the utility. Riverside is outside the Nottingham city centre.

Similarly Anglian Water has taken 60,000 sq ft at Simons's Witham Park project, just off the Lincoln centre. Texas Instruments, Barclays Bank and Barclaycard have taken or are taking space at the 53 acres Northampton Business Park, now in the receiver's hands.

It is in such off-centre sites that car parking is easier, that there can be a feeling of freedom from city centre congestion. Mr Pickering noted that at the Island site, on the edge of the centre, the car parking ration is twice as generous as that of the centre. But the offices are not built to the same specifications as those in the City of London. "Most demand is for non-airconditioned accommodation, but it is nowadays for minimum running costs and minimum maintenance," says Mr Pickering.

But there is also the basic commercial fact that the rents are not high enough to justify offices built with any extravagance. The top rents in the region are in Nottingham, but have not exceeded £12.50 a square foot for new or modern space. In Lincoln, the highest rents are around £9.00. Elsewhere they are around £10.

■ **Retail**

National companies primed for activity

As in the 1980s, this sector may be showing more life than the sluggish domestic economy

Land Securities, the UK's largest property development and investment group, is planning a 200,000 square feet retail scheme in Chesterfield, Derbyshire, writes Paul Cheeseright.

MEPC, another of the larger UK property groups, is planning an overhaul of its recently purchased Eagle Centre in Derby.

These two examples illustrate the readiness of the big national companies to undertake retail developments in the East Midlands. This is a readiness which is not extended to the offices sector.

As Luke Pickering, director of Simons Estates, the Lincoln-based company, notes, there are nationally "only 20 or 30 centres where you'd consider offices, but retail you can do down to the smallest town."

The East Midlands, indeed, may be seeing a repetition of the sequence of events in the property sector during the first part of the 1980s. Then the retail property sector was active in spite of the sluggish domestic economy. The relative strength of the retail property market proved to be a precursor of the sharp rise in all property values which took place in the second half of the 1980s.

At the high point of the retail property market for institutional investors in 1988, the total annual return on retail investment in the East Midlands was 29.2 per cent, according to the Investment Property Databank. Since then, in all the main retail centres of the region – Derby, Leicester, Lincoln, Northampton and Nottingham, total returns first declined sharply and then, since 1991-92, started to recover.

For the region as a whole, the average total return, after being a negative 7.9 per cent in 1990, touched 18.3 per cent in 1993 before slipping to 12.2 per cent in 1994, the Investment Property Databank reported.

Over the last year, said Healey & Baker, chartered surveyors, the compound rental growth for prime retail property has been 14.29 per cent in Derby and Leicester, 4.17 per cent in Nottingham, 3.13 per cent in Lincoln, but nil in Northampton. The average for the East Midlands has been 2.61 per cent against 2.00 per cent for the UK.

Looked at another way, rental growth has not uniformly returned to the levels seen at the peak of the market. Using an index based on 100 in June 1985, Healey & Baker calculated an index score for June 1995 of 263 for Nottingham, the largest centre of the region, and 267 for Derby: those scores are the same as five years before.

While the Leicester score for this year at 235 was slightly higher than the 225 recorded in June 1990, Lincoln had slipped to 168 from 204 and Northampton had fallen to 232 from 246. The overall index score for the East Midlands was 214 in June 1995, compared with 225 five years ago.

The uneven performance notwithstanding, there is an air of expansion in the region. In Nottingham, for example, the Victoria Centre is being expanded by 135,000 sq ft to accommodate the House of Fraser. Marks & Spencer is extending its store from 60,000 to 106,000 sq ft.

> Wilson Bowden recently completed the 170,000 sq ft Riverside Park in Northampton

In Lincoln, Simons and Barclays de Zoete Wedd Property Investment Management are ready to go ahead with the 195,000 sq ft St Marks East development on the edge of the city centre. If it goes ahead it will be probably the largest retail development in the city since the second world war and will have the effect of enlarging the city's prime shopping area.

In Northampton, Wilson Bowden recently completed the 170,000 sq ft Riverside Park, outside the city centre and Helical Retail is to go ahead with a smaller in-town scheme on Westgate. In Derby, Cordwell Land recently completed a scheme of 16 units.

This activity in the market, however, has a different quality from the end of the 1980s, when, as Brian Curtis of Jones Lang Wootton, chartered surveyors, points out, the retailers were chasing growth in demand.

"Now the major non-food retailers are trying to protect their market share and beat off competitors. The market is not growing, but there is activity in the marketplace with the retailers vying with each other. There is no significant growth in the sector," he says.

This provides one element of uncertainty for the retail property market and tends to throw out some of the calculations of the planners.

In Nottingham, for example, the county structure plan, which sets out land use patterns, has forecast a need for an extra 850,000 sq ft of retail space to cope with the needs of both population growth and a steady rise in consumer spending. But neither of these factors has yet been in evidence, so that the perceived need of extra retail space in the years up to 2001 looks exaggerated, given that the existing stock of retail space is already about 1.75m sq ft.

At a civic level, the desire for new retail space is perfectly understandable. There is a fear that Nottingham's position as the main regional shopping area could lose ground to either Leicester or to the Meadowhall shopping centre near Sheffield, if such expansion does not take place. But, as Nick Ebbs of Innes England, chartered surveyors, notes, "There are not a lot of opportunities for large scale development." Sites in the city are not easy to find.

Planning for the future is made more difficult in another respect. Current government policy, articulated by John Gummer, the environment secretary, and enshrined in planning policy guidance, has come down firmly against development on the edge of, or out of, town centres where such development will weaken the viability of the centre.

This is more of a problem in some centres than in others. Nottingham City Council has always set its face against such development anyway. The problem probably reaches its most acute form in Leicester.

There a planned extension to out-of-town Fosse Park, adjacent to the M1 motorway, has a direct competitive impact on the traditional city shopping area, strengthened by the construction of The Shires centre and where there are hopes of hastening the regeneration of the Bede Island district by the insertion of a strong retail element.

Already the environment select committee of the House of Commons has charged that the diversion of trade from the city centre has not been fully researched. The Leicester experience, in relation to government policy, suggests that, as Simon Henshall of Connell Wilson, chartered surveyors, says, "any site with neither an existing planning consent and which is not zoned will find it increasingly difficult to get planning permission."

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BUSINESS PROPERTY

■ **Industry:** by Paul Cheeseright

Patience gets its rewards

Demand for space in the region is growing but distributed unevenly

The patient institutional investor with a taste for property who put money into the East Midlands industrial sector in 1980 has cause for a little self-congratulation. The fund would not be quite as well off as it would have been in northern England or Wales, but, in industrial property terms, it would be better off than in any other region.

Analysis of industrial property capital growth and rental values by Investment Property Databank shows that total returns on East Midlands industrial property were 13.2 per cent a year between 1980 and 1994, the third highest regional performance.

Since 1990, this performance has been carried by erratic movements in capital value. Rental values have been at best flat and in some years have declined. But the performances of individual properties will have shown wide variations, reflecting the nature of the region itself. While Northamptonshire moves within the orbit of the Home Counties, the economies of Derbyshire, Leicestershire and Nottinghamshire are shifting away from traditional industry and absorbing an expansive distribution sector, while Lincolnshire, notwithstanding Lincoln's significance as an engineering centre, is an agricultural county.

"On the industrial-warehousing side, the majority of activity relates to the M1 corridor," notes Simon Jenkins at Jones, Lang, Wootton, chartered surveyors. But the nature of that activity changes.

Broadly, the extensive network of distribution properties starts at Northampton and runs north through Leicestershire, its location dependent both on drive times to the main UK populated areas to the south and north. In this central part of the country, space is more important than access to the labour force.

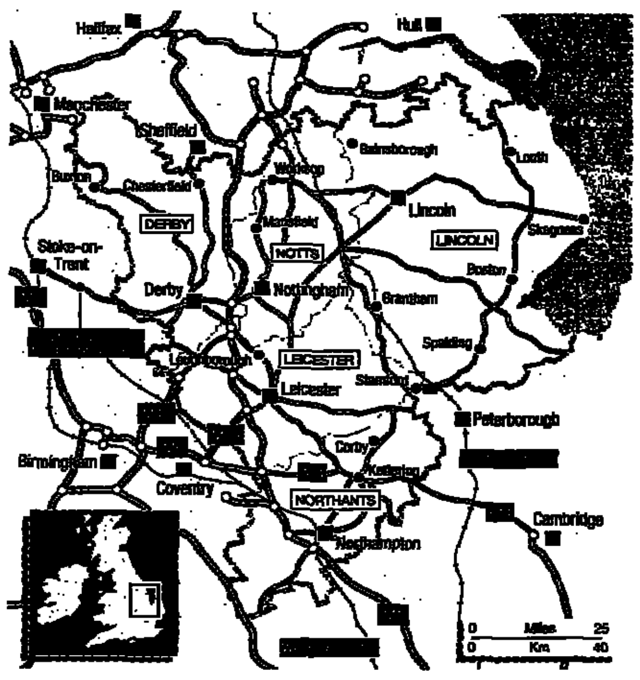
But further north, along the M1, the emphasis changes so that from Nottingham-Derby onwards, industrial property activity is more closely related to manufacturing. Indeed, the necessity to generate new jobs leads the public authorities to encourage that.

There was a marked expansion of distribution activity during the 1980s, much of it prompted by the demands of the larger national retail chains. Magna Park at Lutterworth, in the triangle bounded by the M1, the M6 and M69 is the largest distribution centre in Europe with 7.7m sq ft of space. Where there is a motorway junction, there is a distribution centre nearby: Meridian close to Leicester, Interlink near Coalville, Brackmills at Northampton.

More will come. One of the biggest will be the £200m Daventry International Rail Freight Terminal (DIRFT), being developed by Abbcott Estates on 350 acres. The rail terminal will be operational by summer 1997. Further south, near Northampton, Higgs & Hill, funded by Norwich Union, are planning the Swan Valley industrial and business park on 210 acres. Pillar Property Investments and Parlison Properties are developing A1M1link at Thrapston in Northamptonshire. DIRFT will be exceptional among East Midlands distribution parks by seeking to draw in manufacturing as well as freight-based activity. Elsewhere, says Mike Roper, DIRFT director, "distribution centres have not turned into manufacturing. They're not near enough the population centres for labour."

North of Leicester that changes and the importance of manufacturing grows. So too does the importance of the public sector. While the Commission for the New Towns is active in the Northampton land market – it has 110 acres for sale at Brackmills, for example – further north, developers have been looking for government funding for help with the cleansing and preparation of land made redundant as industrial demands have changed. Thus English Partnerships, the state regeneration agency, is spending £6.5m in a joint venture with Kodak at Sherwood Park, 165 acres near Annesley, north Nottinghamshire. This is a planned Enterprise Zone, designed to offset the economic effects of coalfield closures, offering exemption from rates and 100 per cent corporation tax allowances for capital expenditure. It is also said to be examining proposals for investment in land reclamation on a bigger site, once used by British Steel, close to the M1, between Nottingham and Derby.

In Derby itself, a portion of City Challenge funds – £37.5m over five years for the regeneration of a specific district – has been used since 1993 to prepare for development 180 acres of land used for coal gas production and railway equipment manufacture. This is Pride Park, the site of Derby's bid for the UK's Millennium Exhibition, but also a potential manufacturing centre.



Behind the development of the large sites lurks the hope that a large inward investor might be attracted to the area. "If Toyota came along now, where could they go?" asks Brian Curtis of Jones Lang Wootton. Toyota has constructed a new car plant at Burnaston, near Derby.

This points up one of the difficulties of the regional industrial property market. There is abundant property of little interest to footloose companies. But "Derby, Nottingham and Leicester – if you came to me or my colleagues, looking for a building of 10-30,000 square feet – very, very standard, to rent or purchase, you'd be appalled at the paucity of the buildings available," says Russell Rigby of Innes England, chartered surveyors.

But demand for space has been increasing. In Northampton, Connell Wilson calculated that this year it had let nearly 1m sq ft of industrial space, 30 per cent more than in 1994, but there is still two years of supply available at current rates of absorption by the market. By contrast, in the different economic conditions of Derby, this year has not seen so many deals as 1994.

The overhang of existing space has meant that industrial rents have been static. Top rents in Northampton are £3.50-4.00 per sq ft and about £4.00 in Nottingham. In Leicester, the highest rent recorded is £5.00.

But agents noted that these figures are illusory. There are always deals to be done – rent-free periods, capital inducements to take space and so on. Further, there is little inclination among prospective tenants, except for the largest, to sign leases of 25 years. Flexibility is the keynote.

THE PROPERTY MARKET

Playing for high stakes

Simon London looks at British Land's bold expansion strategy

British Land just keeps on growing. This week's £220m equity issue was its second of the year. Following the acquisition of Broadgate Properties, holding company for much of the Broadgate and Ludgate office developments in the City of London, its property portfolio will have doubled in two years.

Just as remarkably, Mr John Ritblat, British Land's chairman, has steered the company back from the brink of collapse in the early 1970s. It now stands on the fringe of the FT-SE 100 index and has overhauled MEPC as the UK's second largest property company.

British Land has achieved its recent expansion by showing a rare combination of property dealing skills and accurate reading of the property cycle. The acquisition of Broadgate is widely regarded as another tactical triumph.

Mr Ritblat started his campaign two years ago, when he unexpectedly acquired a minority stake in Stanhope, one of the property developers which masterminded the Broadgate and Ludgate schemes.

This stake proved to be the bargaining chip which allowed British Land to complete an agreed takeover of Stanhope earlier this year and in the process gain a half share in Broadgate Properties.

It is now buying the second half of Broadgate from the receiver to Rosehaugh, Stanhope's former development partner, for about £125m. Both sides in the long – and, at times, hostile – negotiations declare themselves satisfied with the outcome.

British Land is paying a small discount to the net asset value of Broadgate Properties. Rosehaugh's receiver, Mr Roger Oldfield, of KPMG Peat Marwick, the accountancy firm, notes that the price is significantly above the level on offer last year.

Whatever the fine details, though, British Land now has full control over nearly 2m sq ft of prime City of London office space.

The two developments – Broadgate, to the north of the City, and Ludgate, to the east – are almost fully let. Broadgate Properties' £800m of debt, on which it is paying punitive rates of interest, can be refinanced on more attractive terms.

But has British Land read the property cycle correctly this time?

The impact of the Broadgate acquisition on British Land is threefold. First, earnings per share are likely to be lower than previously anticipated.

Second, the company's balance sheet gearing will increase to about 125 per cent following the consolidation of the Broadgate Properties debt, much higher than other large property companies.

The company's financing arrangements – bolstered by its recent 40-year bond issue – are robust. Although British Land's credit rating is being reviewed by IBCA, the credit rating agency, there is no immediate question of financial fragility.

But very high gearing will amplify the impact on shareholders funds of any movement in property values. If property values rise across the UK property market, British Land's shareholders will find themselves blissfully geared into the rally. Should property values continue to fall, though, net assets per share will suffer.

Mr Ritblat is confident that the market is moving in his favour. "I believe there is a strong prospect that the market will move up rather than down next year. In the medium term the outlook is very good and we can afford to wait if necessary," he says.

The third effect of the Broadgate acquisition is to increase the proportion of British Land's property portfolio in the City of London to 38 per cent. This represents a big bet that rents for prime City properties will rise faster than in other sectors of the UK property market.

Here opinion is divided. Top quality office space is in short supply. Market evidence suggests that tenants are prepared to pay at least £40 per sq ft for big new buildings in the heart of the City. Only two years ago top City rents were generally regarded as standing at about £30 per sq ft.

Thus, the argument runs, City rents have increased by perhaps 30 per cent in the last two years and are on a strongly rising trend.

Against this, the Broadgate buildings are no longer brand new. One impact is that tenants pay much higher business rates than they would in comparable newly-built space.

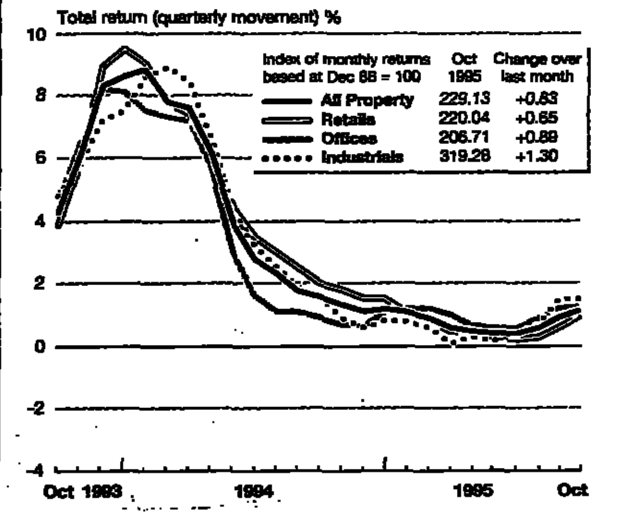
Moreover, the threat of more office space being built at Canary Wharf, the large office development in docklands which is attracting financial sector tenants, could put a cap on City rents.

It will be two or more years before the answer is clear. Rising City rents combined with a general increase in UK property values – perhaps stimulated by falling gilt yields – would make British Land the deserved darling of the UK property sector.

Static rents and falling values would be bad news for investors in any property company. British Land shareholders would be uncomfortable indeed.

IPD monthly index for October

Total return (quarterly movement) %



Index of monthly returns based at Dec 86 = 100	Oct 1995	Change over last month
All Property	229.13	+0.63
Retails	220.04	+0.65
Offices	208.71	+0.89
Industrials	319.26	+1.30

Rentals ahead

Property values fell in October for the 15th consecutive month, registering a decline of 0.3 per cent, according to the IPD monthly index. On current trends, the main annual index – which contains a higher proportion of central London offices than the smaller monthly database – is likely to show a total return for 1995 of just over 4 per cent.

Although property values are still falling, rental values improved slightly in October after small declines in each of the previous two months. The all property rate of total return in October was 0.4 per cent.

Over the 12 months to October, the all property total return is 3.3 per cent, with a return of 2.6 per cent for the calendar year to date. Capital values fell by 4.6 per cent during this period, compared with a 12.6 per cent increase in the year to October 1994.

Office and industrial properties both achieved a 0.4 per cent total return in October, with retail properties returning 0.3 per cent. Year-on-year, offices are the best performing sector with a total return of 3.9 per cent, followed by retail properties at 3 per cent and industrials at 2.9 per cent.

COMMERCIAL PROPERTY

CONTRACTS & TENDERS

CROATIAN INSTITUTE FOR HEALTH INSURANCE HEADQUARTERS
Zagreb, Margaretska 3
SPECIAL PROCUREMENT NOTICE FOR MEDICAL EQUIPMENT

1. The Republic of Croatia has received a loan No. 3843 - HR from the International Bank for Reconstruction and Development (World Bank) in various currencies towards the cost of the Health Project and it is intended that a part of the proceeds of this loan will be applied to eligible payments under the contract for medical equipment.
2. Purchaser: Croatian Institute for Health Insurance, Headquarters, Zagreb, Margaretska 3
3. The Croatian Institute for Health Insurance now invites sealed bids from eligible bidders for the supply of medical equipment packages:

Package 5.01 Medical X-ray Equipment

	Quantity
1st Lot	
5/1/1 x-ray for conventional radiology	1
5/1/2 x-ray for fluoroscopy and radiography	11
5/1/3 Multipurpose x-ray for radiography and fluoroscopy	11

Package 7.01 Mammography and x-ray film processing equipment

	Quantity
1st Lot	
7/1/1 x - ray film processing equipment	18
2nd Lot	
7/1/2 x - ray mammography equipment	8

4. The bidders could be legal entities registered for production and/or trade distribution of the equipment, specified in Article 3. of this Invitation in the Republic of Croatia or abroad.
5. Interested eligible Bidders may obtain further information from and inspect the bidding documents from November 27, 1995, during working hours 9.00 - 14.00 hrs. at the office of:

Hrvatski zavod za zdravstveno osiguranje, Direkcija
(Croatian Health Insurance Institute, Headquarters)
Margaretska 3, Zagreb, first floor, room 2A
Phone: 385-1-425-666/21,421-265
Fax: 385-1-425-071

6. The Bidding documents for each of the packages as listed in article 3., may be purchased by any interested eligible bidder on the submission of the written application to the above and upon payment of a non-refundable fee of USD 200 in favour of Croatian Health Insurance Institute, Headquarters, Margaretska 3, Zagreb to the account at PRIVREDNA BANKA ZAGREB, 30101-620-37-7022-0682800-3838, or equivalent amount in HRK at the medium exchange rate of National Bank of Croatia, effective on the day of the payment, to the account 30102-640-609.
7. All bids must be accompanied by a bid security of 2% of the total bid value in a form of bank guarantee, and must be delivered in sealed and closed envelopes on or before the time stated in the specific bidding document for each package to the following address:

Croatian Institute for Health Insurance, Headquarters
Margaretska 3, Zagreb
Admissions office II floor, room 13

With note "BID FOR (mention the name of package of equipment) - DO NOT OPEN".

8. Bids will be opened in the presence of Bidders representatives who choose to attend bid opening at the time and day as mentioned in each individual bidding document at the address: Croatian Institute for Health Insurance, Headquarters, Margaretska 3, II floor - conference room 1, Zagreb.

LEGAL NOTICES

No. 006887 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
CIGNA LIFE INSURANCE COMPANY OF
EUROPE S.A.N.V.

IN THE MATTER OF
BRITANNIA LIFE LIMITED
-and-
IN THE MATTER OF
THE INSURANCE COMPANIES ACT 1982

NOTICE IS HEREBY GIVEN that a Petition was on the 7 November 1995 presented to Her Majesty's High Court of Justice in England by CIGNA Life Insurance Company of Europe S.A. N.V. ("CIGNA") for:

(1) an Order under Part I of Schedule 2C to the Insurance Companies Act 1982 ("the Act") sanctioning a Scheme providing for the transfer to CIGNA of Part of the long term insurance business carried on by Britannia Life Limited (Formerly Britannia Life Assurance Limited) ("Britannia"); and

(2) an Order making ancillary provision in connection with the implementation of the Scheme under paragraph 5 of the said Part I.

Copies of the Petition, the Scheme, and a Report by an Independent Actuary as required by paragraph 2(2)(d) of the said Part I may be inspected at the offices of CIGNA House, 8 Lime Street, London EC3M 7NA and at the offices of Britannia at Britannia Court, 50 Bothwell Street, Glasgow G2 6HR during usual business hours for a period of 21 days from the publication of this notice.

The Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on 20 December 1995 and any person, including any employee of Britannia or CIGNA who claims to be adversely affected by the Scheme, may appear at the time of hearing in person or by Counsel. Any person who intends so to appear, and any policyholder of Britannia or CIGNA who dissents from the Scheme but does not intend so to appear, should give not less than two clear days' prior notice in writing of such intention or dissent, and the reasons therefor, to the solicitors named below.

Copies of the documents specified above will be furnished by such solicitors to any person requesting them prior to the making of an Order sanctioning the Scheme on payment of the prescribed charge therefor.

DATED this 14 day of November 1995

Lovell White Durrant
65 Holborn Viaduct
London EC1A 2DY
Ref. AJMK/CITY/Heath-1

Solicitors for CIGNA

CONTRACTS & TENDERS

Expressions of Interest

MANAGEMENT CONSULTANTS
TAMAR SCIENCE PARK AND INNOVATION & TECHNOLOGY TRANSFER CENTRE

Tamar Science Park Limited is a Company Limited by Guarantee which is being set up by Plymouth City Council, the University of Plymouth and Devon & Cornwall Training & Enterprise Council to develop an Innovation & Technology Transfer Centre (ITTC) at Tamar Science Park, Plymouth, and to manage and market sites at the 8 Ha Science Park itself.

The ITTC will extend to approximately 2,300 sq m and will provide small units of accommodation for letting to companies engaged in science, research, innovation, and the knowledge-based industries only.

Expressions of interest are now sought from suitably qualified and experienced management consultants to advise and to represent the Company in the following areas:

(1) The design, practicality and funding of the ITTC project.
(2) The development of the role of the ITTC in promoting innovation and technology transfer in the region.
(3) The management of the design, engineering and cost consultants team during the development period of the ITTC.
(4) The marketing and initial letting of small units of accommodation at the ITTC, and of sites at the Science Park generally.
(5) The establishment of a permanent management team at the ITTC.

It is anticipated that the completion of the above tasks will require an appointment for about 18 months. Management consultants who are interested in being considered for the appointment, which will be subject to competitive tender, should please submit written details of their personnel, background, expertise and experience to:

Mr N Pitt,
Head of Economic Development & Urban Regeneration
Plymouth City Council, Civic Centre,
Plymouth PL1 2EW

by no later than 12 Noon on Friday 15th December 1995. Expressions of interest received after that time will not be considered.

City of Plymouth
Local Services for Local People

BUSINESSES FOR SALE

THE MINISTER OF PRIVATISATION OF THE REPUBLIC OF POLAND

INVITES TO NEGOTIATIONS ON THE PURCHASE OF SHARES IN

ZAKŁADY CHEMICZNE RUDNIKI SA WITH THE SEAT IN RUDNIKI

The Minister of Privatisation acting on behalf of the State Treasury of the Republic of Poland, pursuant to Article 23 of the Act on Privatisation of State-Owned Enterprise of July 13, 1990 (Journal of Laws No. 51, Item 298, with subsequent amendments) invites to negotiations all parties interested in purchasing no less than 10% of the Company's share capital.

Pursuant to Article 24 of the Act on Privatisation of State-Owned Enterprises, the Minister of Privatisation is obliged to offer up to 20% of the shares of the Company to the staff employed in the state-owned enterprise on the day of its transformation into the Company Zakłady Chemiczne RUDNIKI SA.

Pursuant to the Resolution of the Council of Ministers No. 88 of October 4, 1993 on setting up reserves of the State Treasury Companies' shares for reprivatisation purposes, the Minister of Privatisation decided to retain 5% of the Company's shares as a reprivatisation reserve. The possibility is provided to offer to purchasers shares not acquired by employees and, should a legal basis for it exist, also shares from the State Treasury reprivatisation reserve.

RUDNIKI SA is a producer of inorganic silicon compounds (for the use of rubber, plastics, household chemistry and food industries among others) as well as disinfecting washing agents for industrial use and borax.

Parties interested in the purchases of shares and in obtaining the Information Memorandum should contact ARCANUM, acting as the advisor to the Minister no later than December 8, 1995.

Applications should be faxed to following address:

ARCANUM Przedsiebiorstwo Doradztwa i Wdrozeń Sp. z o.o.
ul. Swietego Mikołaja 8/10 50-951 Wrocław
tel./fax/modem (071) 358 68
tel. (071) 44 28 86 ext. 510, 511

Person responsible for accepting applications: Witold L. Wilczewski.

The Information Memorandum containing, apart from information about the Company, detailed description of the way of the offer submission shall be made available to the interested parties upon a prior signing of a "Confidentiality Obligation."

The Minister of Privatisation reserves the right to extend the deadline for the submission of offers, to void the Invitation and to renounce negotiations with no expressed reason.

BUSINESSES FOR SALE

KPMG

French's of Felixstowe Limited

The Joint Administrative Receivers offer for sale, as a going concern, the business and assets of French's of Felixstowe Limited, a Ford motor retail dealership.

Principal features include:

- Ford retail dealer;
- Annual turnover of £2.5 million per annum;
- Two freehold properties. (Approx. 5,500sq.ft and approx. 2,500sq.ft) at Felixstowe;
- One leasehold property at Felixstowe;
- Experienced workforce;
- Established and loyal customer base,

For further information contact The Joint Administrative Receiver, Howard Evans, KPMG, 6 Lower Brook Street, Ipswich, IP4 1AP. Tel: (01473) 233499. Fax: (01473) 281180.

KPMG Corporate Recovery

Coopers & Lybrand

HEATING APPLIANCES MANUFACTURER

Heatovent
East Kilbride, Scotland

The Joint Receivers of Heatovent Electric Limited, Ian Rankin and Frank Blin of Coopers & Lybrand, Glasgow, offer for sale the business and assets of this well known company which manufactures a wide range of domestic, commercial and industrial heating appliances.

Principal features of the business include:

- modern 53,000 sq ft factory on 8 acre freehold site
- order book, approximately £700k
- turnover circa £4.5 million
- quality customer base including export markets.

For further information and an appointment to view, contact Ian Rankin or Derek Forsyth at Coopers & Lybrand, Kintyre House, 209 West George Street, Glasgow G2 2LW. Telephone: 0141 248 2644.

Coopers & Lybrand is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

CONTRACTS & TENDERS

DANISH STATE RAILWAYS

Prequalification for tender for on board services on InterCity trains

International announcement for the prequalification for tender for on board services on InterCity trains.

(EC Notice no. 95/S 215-115989/DE)

With this Notice, Danish State Railways invites potential tenderers to prequalify for the supply of on board service on InterCity trains. The service includes vending trolleys, buffets and inclusive meals.

Interested parties can obtain further information from:

Danish State Railways
Director of InterCity Mr. Bjoern Wahlsten
DSB InterCity
Bernstorffsgade 20
DK 1577 Kobenhavn V
Denmark
Phone +45 33 14 04 00 ext no 13557

The request for prequalification, containing information as requested in the EC Notice, must be sent to the address stated above no later than December 5, 1995.

ANGUILLA REGISTRY PROJECT

Tenders will shortly be invited from UK and International companies for provision of the following for Anguilla Off-shore Finance Centre Computerised Companies Registration Project:-

Development, supply and installation of a computerised world-wide on-line automated Companies Register and for the provision of a facilities management service for approximately five years thereafter.

Tenderers wishing to participate should apply in writing expressing their interest to the address below by 1st December 1995.

Prospective tenders will be required to pre-qualify against the list of mandatory requirements for the system and to satisfy the project that if successful, they have, or are willing to establish the appropriate in-region support.

Miss M Deane, Dept PC, Crown Agents, St Nicholas *House, Sutton, Surrey, SM1 1EL, UK.*

Wolverhampton Glass Co. Ltd.
(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of this specialist window design and manufacturing company.

- Manufacturers and suppliers of high quality PVCu and aluminium windows to domestic and commercial customers.
- Historic turnover of approximately £3.6m p.a.
- Workforce of 35 highly skilled and motivated employees.
- Freehold premises in Wolverhampton including offices and fully equipped factory.

For further information please contact:
D.K. Duggins or A. Wolstenholme, Arthur Andersen,
1 Victoria Square, Birmingham B1 1BD.
Tel: 0121 233 2101 Fax: 0121 643 7647

ARTHUR ANDERSEN

ARTHUR ANDERSEN & Co. SC

Arthur Andersen is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

BUSINESSES WANTED

Manufacturer Wanted

Seeking mfgr. to market & build under US patent license, "Kar-Kool", uses no freon or gasoline. Keep vehicle cool while parked & in transit, low tooling costs.
USD $10K, Non-exclusive
USD $100K, Exclusive
Call USA 602-235-2218

SWITZERLAND -
Businesses offered for Sale/Succession settlements

Swiss Computer & Accessories Distributors
One of the top ten companies. Sales over SFr. 30 Mio.
Good profitability. Excellent distribution channels.
Competent Management to stay on. Own premises.

Manufacturers of WOODEN PRODUCTS (DIY and Furniture parts)
Sales: SFr. 10m., profitable, 40% export, customers: Trade and Large Surfaces Retail Chains, motivated, skilled management and employees. Well equipped modern factory, own premises.

Please write to: (with background information please)
Elisabeth A Müller. Corporate Development
Nelkenstr. 15, 8006 Zurich
Tel. 41-1-361 17 17 Fax: 41-1-361 17 00

The Joint Receivers L.D. Grainger & A.J. Armstrong offer for sale the Goodwill, Business and Assets of

LAMBERTON & COMPANY LIMITED COATBRIDGE, LANARKSHIRE
(In Receivership)

Heavy Engineering Design for metals industries (Mechanical, Hydraulic, Electrical etc.), Heavy Machining, Heavy Lift Cranes (up to 80T) in 6 bays:

- Excellent ability at re-engineering
- Blue chip customer base
- Three recently patented products
- Separate hydraulics capacity
- Skilled design and manufacturing workforce approximately 45 employees
- Turnover since receivership (3 years) approximately £7M
- Order book of £1.5M
- Freehold property of approximately 4 acres

GRAINGER & CO.

For further information contact: L.D. Grainger or R. Scott Page *at*
Grainger & Co.
10, SOMERSET PLACE, GLASGOW G3 7JT
Tel: 0141 332 8751 Fax: 0141 331 2623

COMPANY NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. A notice was published on 5 January 1994, in which it was stated that the Secretary of State had granted to Torch Communications Limited ("the Licensee") a licence under the Telecommunications Act 1984 ("the Act") to run telecommunication systems throughout the United Kingdom and that the telecommunications code ("the Code") has been applied to the Licensee within the area marked on the map attached as an annex to the Licensee's Licence extending to all or part of the counties of Derbyshire, Greater Manchester, Humberside, Lancashire, Lincolnshire, North Yorkshire, Nottinghamshire, South Yorkshire, Staffordshire and West Yorkshire. The Secretary of State now proposes to revoke that licence and to issue to the Licensee a licence to run telecommunication systems throughout the United Kingdom and to apply the Code to the Licensee throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licence authorises connection to a wide range of other systems, including earth orbiting apparatus, allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, the Licensee may be obliged to make available those telecommunications services to all who reasonably request them within that area.
3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensee's systems as a public telecommunication system.
4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality, variety of and prices charged for such services and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
5. He proposes to apply the Code to the Licensee subject to certain exceptions and conditions. The effect of these exceptions and conditions is that the Licensee will have duties:
   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to the powers under the Code; and
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
6. The reason why the Secretary of State proposes to apply the Code to the Licensee is that the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licence.
7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
8. Representations or objections may be made in respect of the proposed licence, the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 27 December 1995 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications Division, Room 2.79, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 0171-215 1756.

Keith Avis
Department of Trade and Industry
24 November 1995

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to New World Payphones Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.
2. He proposes to apply the telecommunications code ("the Code") with the exception of paragraphs 4,10,17, and 18 by virtue of section 10(2)(b) of the Act and subject to certain exceptions and conditions, to New World Payphones Limited to run telecommunication systems throughout the United Kingdom. The effect of the exceptions and conditions to the application of the Code is that the Licensee will have duties:
   a) to comply with various safety and environmental conditions;
   b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of its apparatus;
   c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
   d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the licence to its powers under the Code; and
   e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.
3. The reason why the Secretary of State proposes to apply the Code to New World Payphones Limited is that it appears to the Secretary of State that
   i) the running of the telecommunication systems will benefit the public; and
   ii) it is not practicable for the telecommunication systems to be run without the application of the Code.
4. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.
5. Representations or objections may be made in respect of the application of the Code to the Licensee and the proposed exceptions and conditions referred to above. They should be made in writing by 27December and addressed to the undersigned at the Department of Trade and Industry, Telecommunications Division, Room 2.78, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 0171 215 1756.

Alan Proud
Department of Trade and Industry
24 November 1995

LEGAL NOTICES

No. 006940 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
MERCHANT RETAIL GROUP PLC
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 9th November 1995 presented to you Her Majesty's High Court of Justice for the confirmation of the reduction of the share premium account of the above-named Company by £3,312,000.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL, on Wednesday the 6th day of December 1995.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated this 23rd day of November 1995

Nicholson Graham & Jones
25-31 Moorgate
London EC2R 6AR

Solicitors for the above-named Company

In the High Court of Justice No 007136 of 1995
Chancery Division

IN THE MATTER OF
STERRY COMMUNICATIONS (UK) LTD
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice on the 17th day of November 1995 for the confirmation of the reduction of the share capital of the Company from £5,000,100 to £1,680,700.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on the 6th day of December 1995.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for confirmation of the said reduction of the share capital of the Company should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

DATED this 21st day of November 1995
Denton Hall
Regency Court
206/208 Upper Fifth Street
Milton Keynes MK9 2HR
Ref: SMBP
Tel: 01908 690260
Solicitors for the above-named Company

MERSEYSIDE

New sound from a chorus in harmony

Deciding how to spend £638m from the European Union has concentrated minds in the region, reports Ian Hamilton Fazey

There is a new Mersey sound. It is not so much that emanating from the new *Liverpool* Institute for the Performing Arts and its benefactor Mr Paul McCartney, but of people talking rather than squabbling, of harmony rather than discord.

There are still disparate groups and there are still disagreements, but a common will to work towards common goals seems to be emerging. Potential inward investors – who previously would not look at Merseyside – are beginning to do more than merely take notice. This year Siemens came close to picking Merseyside over Tyneside for its new microchip plant.

What has concentrated minds is the planned injection of £638m into Merseyside over six years by the European Union. The programme is in its second year and the impact is beginning to show.

The money is from EU's regional development and social funds under its "Objective One" programme. To qualify, gross domestic product a head of the country or region concerned must be, or must fall, below 75 per cent of the EU average. Merseyside's fell enough to trigger its place in the programme two years ago.

But there are strings: the money has to matched by the UK public sector; and spending plans must attract private sector and community support and have a realistic chance of producing sustainable growth.

Because discord will not deliver it, people are working together as never before. There is not yet local unanimity, but "even two years ago there was little sign of the sort of consensus that we are now seeing," says Mr Tim Johnston, a partner in accountants, KPMG.

He and Mr Peter Fell, director of European affairs at Merseyside training and enterprise council, are at present briefing groups of Merseyside business and political leaders about their Merseyside Economic Assessment – a study to be published soon of what offers the best chance of sustainable growth.

The briefings seem to be impressing most critics of the Objective One programme so *far. They have legitimately* queried whether too much is being spent on pointless training for phantom jobs – or for low-value work such as hairdressing.

"The problem is we need the brown and dirty and menial jobs, to help reduce unemployment, but the more value we can add, the more wealth we can create," says Mr Graham Thelwall Jones, chairman of Liverpool chamber of commerce and industry.

Mr Johnston and Mr Fell want to see a better balance between jobs for the sake of them and jobs that will generate a wider wealth. The idea is to try to tilt the internal economic balance so that more Merseysiders are selling high-value goods and services to markets outside the area, rather than selling low-value services to each other.

Import substitution and exports from the region are recurrent themes of the analysis. In effect, Merseyside is trying to reduce its local balance of payments problem. It has been a net importer of too much by way of goods, services, government aid and handouts. Its exports have all too often been jobs and people.

As Mr Harry Rimmer, leader of Liverpool city council, puts it: "This is an area which has lost 250,000 people and 100,000 jobs in the past 30 years. We have been managing decline and poverty. We have got to turn this round."

Mr Ian Lobley, Liverpool *director of 3i, the investment* capital provider, believes a turn-round is already happening. "I arrived two years ago. The difference now is that people are not just talking about partnership, they are doing something about it.

"Almost as great as the Objective One benefit is that everyone is pulling in the same direction. The political temperature is lower. People are talking about how to help small businesses rather than having political debates about who is to blame for decline," Mr Lobley adds.

He believes the new government office for Merseyside deserves much of the credit. Like its counterparts in other regions, the office co-ordinates the work of all government departments in the region. That in Merseyside is run by Mr John Stoker and his deputy, Mrs Pat Jackson. "They came in for a lot of early criticism but they have pulled things together," Mr Lobley says.

Indeed, leadership has always been critical to economic regeneration. The lessons from places which have turned themselves round in the US and Europe have been well documented: first, there have to be leaders; they then have to sink their differences and work together – while developing a vision of the community that is wider then their own role in it.

Mr Stoker's central role is as chairman of the committee monitoring how the EU money is spent. Mrs Jackson is his prime enforcer. She will not let funds go unless recipients commit themselves to measurable, lasting outputs such as jobs and added value.

Other leaders who have impressed Mr Lobley include Mr Christopher Giband, chief executive of the Mersey Partnership and a successful economic developer with a good record at Peterborough and Swindon. Typically for Merseyside then, his appointment two years ago was criticised because he was an outsider. There is no criticism now.

Professor Philip Love, who moved from Scotland to become vice-chancellor of Liverpool University, is another outsider making an impact – this time as chairman of the Mersey Partnership.

In professional services, two respected northern heavyweights – Mr Mike Davis and Mr James Dow – have arrived this year from Manchester at the accountancy firms of Ernst & Young and KPMG respectively. Each has a good record in corporate finance, but they already face strong competition in Liverpool from Mr Amin Amiri of Grant Thornton.

Other leaders marching their troops in the same direction include Mr Peter Bounds, chief executive of Liverpool city council; Mr David Henshaw, his opposite number at Knowsley borough council; Professor Peter Toyne, vice-chancellor of Liverpool John Moores University; and Sir Desmond Pitcher, chairman of both North West Water and the Merseyside Development Corporation, the government's agency for regenerating the waterfront.

In the private sector, Merseyside's largest employer is Littlewoods, the football pools and retailing giant. For all the argument about its future as a privately owned company, it is a potent force in the regional economy, providing nearly 7,000 local jobs.

Other big companies include Royal Insurance in Liverpool, Ford at Speke, Unilever in the Wirral, Delco Electronics and Otis at Kirkby and – increasingly important because of its impact as an economic multiplier – Mersey Docks and Harbour Company at Bootle. BHP, which has struck oil and gas in the shallow waters of Liverpool Bay, is set to join them when production starts next month.

Merseyside's weakness, however, has always been its resemblance to bad concrete. Just as good concrete needs a mix of big, medium-sized and small stones in the aggregate to fill the holes and interstices before the cement is poured into it, so Merseyside has had too few small companies to balance its giant ones.

But there are encouraging signs. In one 11-day spell in September, 3i did three management buyouts and three management buy-ins. Nine different firms of Liverpool professionals were involved, providing services which might easily have been bought in from Manchester. It should also be remembered that Alsop Wilkinson, the nationally known legal firm, began and continues in Liverpool.

"More people are making the entrepreneurial leap," Mr Lobley says, who now watches over 115 investments in local companies.

The crucial change, however, is in the political climate. Merseyside was blighted by the Militant Tendency, the Marxist grouping which infiltrated the Labour party and took control of Liverpool city council in 1983 to challenge the government with a series of illegal deficit budgets as it tried to municipalise substantial parts of the local economy.

Its leaders were expelled from the party and 47 councillors disqualified more than seven years ago, but it was only this year that Mr Rimmer, who faced down a breakaway hard left in order to restore moderation, won an absolute majority for the official Labour party on the council.

The Militants made consensus impossible for about 10 years because most private sector leaders kept their heads down. Two local authorities – St Helens and Wirral – all but went their own way. Their inward investment initiatives – St Helens and the Wirral Investment Network – still do their own thing, but increasingly Merseyside is beginning to function as a unit again.

A measure of how far it has come is the near-miss in the competition to win Siemens. Mr Johnston says it must be a lesson. "Merseyside still has some way to go. It still takes 15 to 20 people to make a decision, versus a handful of people in Ireland. It is crucial that the five local authorities stop competing for every project."

Mr Rimmer does not hide his disappointment over Siemens, but can at least take comfort from having seen more serious inward investment inquiries in 1995 than in all the years together since 1988.

The Mersey waterfront, looking toward the Royal Liver Building. The crucial change in the region has been the political – and industrial – climate *Photographs for this survey by Mike Arron*

Investment: by Stewart Dalby

Private sector joins in

After 15 years, government spending in the area seems to be paying off

Nearly 15 years of concentrated government investment in Merseyside seems at last to be paying off. Almost suddenly, after years of lagging behind, private sector investment in crucial waterfront areas has exceeded the monies paid by government to its main local regeneration agency, the Merseyside Development Corporation.

The corporation was set up in 1981, together with a similar body for London Docklands. Originally due to be wound up in 1991, its term has been extended to 1998 and the area it covers has been increased from an original 500 acres to 3,000 acres of primarily disused docklands on both sides of the River Mersey, together with the faded seaside town of New Brighton on the tip of the Wirral peninsula.

But while London Docklands appeared to lever billions in private sector investment during the 1980s, the MDC did not have an easy time. It was embroiled in rows with a then hostile Liverpool city council. It also fell out with Professor Patrick Minford, Liverpool University's eminent economist. He resigned from the MDC's board because it would not approve a power station project in Birkenhead, preferring to save a prime site for mixed-use property development.

This year the MDC got a wigging from a parliamentary select committee for losing almost £1m on the 1992 tall ships regatta and an associated opera concert which seemed to bring little discernible benefit to the area. It has also had an unseemly squabble with the Mersey Docks and Harbour Company about a floating stage and terminal for Irish Sea roll-on, roll-off freight – near where Prof Minford would have allowed the power station.

All this has come after many years when the MDC seemed unable to draw in substantial private sector investment. By 1990, almost 10 years into its life, the MDC had spent £180m of public money but had generated only £43.5m in private sector investment.

At last, however, everything seems to be coming right, for by the end of the first quarter this year total inward investment from the private sector in the MDC's areas reached £394m – against a cumulative government outlay of £300m. Nearly 15,000 jobs have been created and 2,671 homes built or converted from old warehouses.

Mr Chris Farrow, MDC chief executive, says: "Over 50 per cent of the investment has come in the past three years. The problem was the acute level of dereliction. Clearing it up is costly and time-consuming. You cannot attract investors until you have done it. It took £45m alone and the best part of 10 years of effort to reclaim the Albert Dock."

Chris Farrow, chief executive of Merseyside Development Corporation

The beautiful, listed Albert Dock is the centrepiece of the waterfront revival. With its museums, walkways, shops and restaurants it attracts 6m visitors a year.

Mr Farrow now believes the MDC is on course to realise its lifetime targets of £638m in private sector investment and 25,000 new jobs.

Now that investment is coming in, there is less criticism than in the 1980s from local authorities which thought then they could do better with the money. They are all now well represented on the MDC's board and in any event have been somewhat mollified by getting substantial government monies themselves in recent years.

Unusually, three years ago Merseyside succeeded in no fewer than three bids for City Challenge urban funding – in Liverpool, Wirral and Sefton. Each was worth £37.5m, spread over five years.

Wirral City Lands concentrates on the areas around the docks and town centres in Birkenhead and Wallasey; Bootle Maritime challenge in Sefton is also concerned with poor areas near the docks on the Liverpool side of the Mersey; Liverpool's city challenge area is to the immediate east of the city centre around the university complexes and bordering on Toxteth, where riots famously broke out in 1981.

All three are run by boards which include the local authorities as well as the private sector and community representatives. They are concerned with economic regeneration and job creation and the intention is that the £7.5m each can spend every year should lever out a multiple in private sector investment.

They are also closely focused on physical renewal, low cost housing, environmental improvements and social and community schemes.

In the Wirral City Lands, manufacturing industry was in decline, but 3,200 jobs have been created and preserved, largely through assisting and grant-aiding small and medium-sized businesses.

Mr Peter Coffey, director of the Wirral city challenge says: "One of our proudest achievements is the setting up of three neighbourhood colleges. We simply found suitable premises and staffed them, then watched the numbers grow largely by word of mouth. There are now 1,600 on part-time and full-time courses ranging from everything from adult literacy to national vocational qualifications." The colleges have cost about £1m to set up and run.

In Bootle, much effort has gone into housing and social projects, such as one which helps drug users make a new start. Bootle hopes to attract £156m of private investment at the end of its five-year term in 1997.

Meanwhile, Liverpool's city challenge has been trying to do something about some of Merseyside's most prominent eyesores. The gateway to the area is Lime Street station – important because it provides the first impression of Merseyside to most visitors.

Across Lime Street from the station the imposingly classical St George's Hall was until recently closed and forlorn. The old North Western Hotel above the station concourse was derelict. Victorian houses behind the station were gutted. Even the short walk of 200 yards to the Adelphi Hotel was discouraging. If shops were not boarded up, many seemed to be scrofulous discount retail stores.

Mr John Flamson, the director of the Liverpool city challenge, says: "These buildings were symbols of decline. They seemed to suggest the spirit had gone out of Liverpool."

Now the North Western Hotel is being turned into student accommodation with a conference centre. St George's Hall is back in use as a public building. Some of the Victorian houses have been renovated, with their architecturally impressive frontages preserved. Georgian squares in the university area have been prettified.

Some £46.7m has been invested in businesses – largely restaurants, but they pull in people and enliven the area. There is still some way to go, but Liverpool is visibly brighter and more lively than even two years ago.

There is often little to show in urban regeneration schemes of this sort. But, as with the MDC, it looks as though the impact is at last beginning to make itself felt.

Objective One: by Ian Hamilton Fazey and Stewart Dalby

Growth poles targeted

A new economic assessment, funded by the European Union, says that spending should become more focused

Ever since Merseyside was given Objective One status by the European Union at the end of 1993, there has been controversy on how the money should be spent. The issue should have been decided last year when a "single programming document" – EU-speak for a spending framework – was agreed, but a more sophisticated approach is about to emerge.

It is contained in a new study called the Merseyside Economic Assessment, now in the final stages of consultation. It has been prepared by Mr Tim Johnston of KPMG, the accountancy firm, and Mr Peter Fell, head of European affairs at Merseyside training and enterprise council. They have used models and advice from Cambridge Econometrics and Warwick University's centre for employment research.

They believe it will enable spending to become more focused and create more jobs and economic output. The problem is that Merseyside could have done with the new analysis two years ago. Ironically, however, it could not be done until Objective One money was available to pay for it.

It was then that Merseyside's per capita gross domestic product fell below 75 per cent of the EU average, qualifying the area for Objective One funds, which are earmarked to help lagging regions catch up. In Merseyside's case, the programme is worth £638m over six years, mostly from the European regional development and social funds.

This is matched, on an annual basis at present, by the UK public sector, mainly through more than £60m for Merseyside's three training and enterprise councils, £30m for Merseyside Development Corporation and an annual £22.5m between them to three city challenges.

With a private sector input of £340m, this makes a total of more than £1.6bn. But money alone does not solve problems. From the outset, there has been concern about whether the committee of public and private sector people monitoring and disbursing the money – and vetting more than 1,500 current applications for assistance – is pursuing the right tactics.

Professor Patrick Minford, the Liverpool University economist, and his colleague Mr Peter Stoney set the agenda by warning against over-emphasis on training, as this might simply make it easier for people to get jobs outside Merseyside and leave.

"The main thrust of Objective One cash should be as an enabling mechanism for trading businesses to function more effectively – not direct subsidies to make otherwise unviable projects viable, but expenditure on supportive infrastructure like roads and site clearance to make way for both indigenous and inward investment," they argued.

The monitoring committee is trying to do this, channelling the money among five economic "drivers" eventually agreed in the single programming document:

- ☐ inward investment and key large companies;
- ☐ local business;
- ☐ innovation and new technology;
- ☐ tourism and cultural industries; and
- ☐ human resources.

The human resources driver – much of it training and concerned with creating "pathways" to get unemployed people into work – has so far absorbed £89m, with another £14m likely this year. However, a much bigger emphasis has gone on the inward investment driver.

Winning big inward investment projects is largely dependent on having strategic sites available, so much of the effort in driver number one is concerned with clearing and preparing key sites.

They include the old Liverpool Airport and land around it at Speke-Garston, the former Parkside colliery at St Helens, disused portions of the Cammell Laird shipyard at Birkenhead, Twelve Quays on the Birkenhead waterfront, Knowsley Industrial Estate and two other sites in Bromborough in Wirral and Southport, Merseyside's seaside town.

Up to 700 acres are involved, about half of them at Speke-Garston and 230 acres at Parkside. English Partnerships will provide the main driving force at each of these. Some £148m has been earmarked so far, with another £78m in the pipeline for the current year.

But it is the human resources spending which niggles with industry and commerce. Mr Michael Postlethwaite, a surveyor with Matthews and Goodman, asks: "What is the point in spending all this money on training for jobs which have yet to be created? I would rather see the money spent on a good access road off the M62. That would encourage companies to come."

Mr Ian Berry, director of the Liverpool Chamber of Commerce, adds: "You can sum it up by citing what has become known as the hairdressing debate. Why train so many hairdressers, which is what the Tecs seem to do?. That is just sticking plasters on the local economy. The key is to attract new investment and grow companies already here so they can export goods."

Officials at the government office defend their policies by saying that training and social spending are built into their mandate for spending the EU monies. Ms Helen Shaw, marketing director at Merseyside Tec, says: "As far as hairdressers are concerned, at least they get jobs. We agree there is little point in training someone to find there is no job at the end of it."

Mrs Pat Jackson, chairman of the monitoring committee's main technical panel and head of the Department of Trade and Industry on Merseyside, thinks attitudes will change as the sites become ready for development and money channelled into the other drivers starts to have an effect.

But Mr Johnston believes they will change more readily if spending patterns are now altered to take in the new economic assessment. There was a very positive response from critics when he briefed members of Liverpool chamber of commerce last week.

The assessment's broad thrust is that while the five drivers are roughly right, more will be achieved by further targeting resources at a series of "growth poles". Strategic sites top the list, but the others are Liverpool city centre, Liverpool Bay, the port and airport, and motorway corridors.

While pathways for the unemployed matter, they concentrate on low value-added, low-paid jobs. Mr Johnston and Mr Fell want a shift of emphasis towards enhancing job creation in existing successful pockets of growth because this will create a more sustainable increase in gross domestic product.

They say sectors such as telecoms, financial and professional services, health research and development, pharmaceuticals, arts, culture, and glass offer the best prospects for encouraging regional import substitution in components and services and exporting added value goods and services outside Merseyside's boundaries.

They claim their approach will add 36,200 jobs compared with the existing framework's forecast of 33,900 – with added GDP of £2.59bn a year against £2.35bn. The monitoring committee has been impressed by the work and is more than likely to take it on board, especially since Mr Johnston and Mr Fell had an enthusiastic response when they showed EU officials their findings.

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The universities: by Simon Kuper

Campus town looks to business

Private sector money is in demand as thriving companies are sought as partners

Liverpool is fast becoming a student town. Nearly 50,000 of Merseyside's 1.35m inhabitants are students, and the proportion grows each year.

Paul McCartney's Liverpool Institute of Performing Arts will soon take its place beside the University of Liverpool, John Moores University, and the local community college, a further education institute.

The academies are among the giants of the weak local economy, as Merseyside's traditional industries have died out while more and more Britons take degrees. Liverpool's erstwhile reputation for strikes and riots fails to put off students in the way it deters business people.

Professor Philip Love, vice-chancellor of Liverpool University, is also chairman of the Mersey Partnership, the main marketing body for the region. "I don't think there are many other regions where the business community is prepared to accept a vice-chancellor as head of such an organisation," he says. Mr Stuart Melhuish, development director at John Moores, adds: "If you're in Manchester, there's so much more going on that universities aren't that important."

Estimates vary of how much the universities contribute to the local economy. Prof Love, a former lawyer, is more conservative than most in saying that by 2000, £500m will be spent in the city by students, staff and the universities themselves. Prof Michael Parkinson, an urban affairs specialist, says: "The universities employ, they consume, they spend and they have a major physical impact on the city."

The latter amounts to more than just young people with books under their arms dominating the city centre. Mr Melhuish says that John Moores has spent £70m in inner city

> 'Even the cab drivers welcome students when they come back to town'

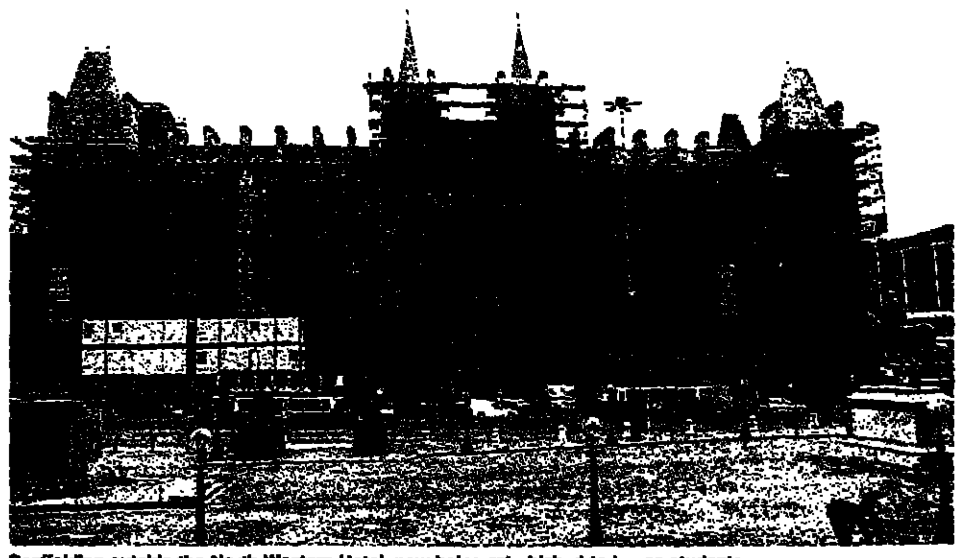
Liverpool since 1989, building to accommodate student growth. He points to the North Western Hotel, which stood derelict for 45 years just outside the main railway station, giving visitors fresh off the train an immediate impression of a city in decay. Now the scaffolding is up, as John Moores refurbishes the hotel to house students.

As students move in, the inner city comes to depend on them. "There's been an 'evening economy' that has been built around bars and clubs and fashionable night clubs in the city," says Mr Melhuish. "Even the cab drivers welcome the students when they come back to town." The universities can never create jobs for all the city's unemployed manual workers, but they do employ around 6,000 people. Prof Parkinson points to other European cities such as Dortmund and Montpellier that have been regenerated largely by their universities.

Merseyside's academies aim to be partners of local business. Of Liverpool University's £150m annual budget, £20m comes from collaborative research work with companies. Prof Love has recently bought the old Liverpool Royal Infirmary building, which is to become a one-stop shop catering to the technology needs of local businesses. He has limited sympathy with academics wanting more time for their own projects. "You can't say, 'Well, I'm only going to do blue skies work, I'm going to live in a vacuum'."

At John Moores, the university and 42 local companies have joined to build a robotic telescope. Many local chief executives are regulars at John Moores events, says Mr Melhuish. The university runs an MA in quality management for Rover, and an engineering programme at Ford's plant in Halewood.

Research universities all over the country are trying to attract private sector money. The difference in Liverpool, says Prof Love, is that "we happen to have Objective 1 funding". This is money the



Scaffolding outside the North Western Hotel, now being refurbished to house students

European Union pledged to Merseyside when the region's gross domestic product per head fell to 75 per cent of the EU average. This year projects led by Liverpool University have received £22.7m in Objective 1 funds.

Also, because Objective 1 funds are available only for joint ventures between the private and public sector, the scheme has forced universities to look even harder than before for local partnerships. There are problems: the region is short on thriving companies, and, says Prof Love: "Many businesses don't fully realise what happens inside universities."

He is seeking new ways of working with business, beyond research, training and consultancy. For instance, one of Merseyside's problems is a shortage of skilled people. Liverpool University has set up the "Graduate into Employment Initiative", which tries to find jobs for graduates with local companies. Of the 1,350 graduates who have followed the scheme since 1990, 85 per cent have found jobs within six months of completing it, most of them in small to medium-sized companies (SMEs). Few Merseyside SMEs had hired graduates before.

Liverpool University's other new action area is, of course, the Internet. The university has trained local companies to use the net, and has set up a web site on which they can advertise their wares. The Internet industry is suited to a region with a poor image, says Mr Colin Charlton, who runs the scheme for the university: "Electronic networks don't understand about geography."

Like so much else on Merseyside, his project has got EU funding. So far, however, only 20 companies use the web site. It seems another case of a corporate-minded university looking desperately for a corporate sector.

But the big worry for Liverpool's universities is whether the government will fund a further rise in Britain's student numbers. The Confederation of British Industry predicts that soon 40 per cent of Britons will get degrees, up from 31 per cent today – that figure itself is a huge leap over the last decade. But will the government fund the growth?

"Clearly universities are going to go through a more difficult period in the next three years than they have in the past five or 10 years," says Prof Parkinson. Prof Love says that if the government does not stump up, his university's private sector partnerships will become ever more important.

Mr Melhuish sees part of the solution in taking Asian students, who have to pay their own fees. He says they still revere Liverpool as the city of the Beatles and football. Little do they suspect that it is now a campus town as well.

Merseyside's web site can be found at: http://www.connect.org.uk/merseyworld.

The region's reputation: by Simon Kuper

New image for 'pool of talent

An advertising campaign says that productivity is now above the UK average

The man in the newspaper advertisement is wearing a permed black wig and moustache; he is meant to look like the Scousers in Harry Enfield's television sketches.

But he has a Japanese face, and the text beneath him reads: "To make a Japanese worker even more productive, turn him into a Scouser." The character is a key prong in the campaign to improve Merseyside's image.

It is hard to think of a British region with a worse reputation among business people than Merseyside. But in some respects the image is unfair, says Professor Michael Parkinson, an urban affairs specialist at Liverpool John Moores University.

For instance, Liverpool has a reputation for militant left council leaders and lazy workers. In fact, its politicians have been quiet as mice since the downfall of Mr Derek Hatton in the 1980s, while the Harry Enfield advert claims that Merseyside productivity is 12 per cent above the UK average.

The Mersey Partnership, a joint public-private body, this year launched an advertising campaign aimed at business leaders and local people. The slogan, "Merseyside, a 'pool of talent", pops up in local newspapers and on T-shirts, though it has yet to equal the impact of such classics as "I Love New York" or "Glasgow's Miles Better".

As well as the picture advertisements, the campaign used more factual adverts in which local companies made statements about Liverpool. One advert, for instance, quoted the managing director of GEC talking about the productivity of his Merseyside workers.

The partnership tried to reach locals too, with a booklet called "50 Mersey Facts" that emphasises the business successes of the region.

The idea is that if a businessman arrives for a day from London, it is crucial that his taxi driver gives him an upbeat account of Merseyside. "Local people are the messengers," says Mr Duncan Fraser, a director of Finch, the advertising agency that devised the campaign.

Half a million car stickers and the same number of copies of an expanded booklet, "100 Mersey Facts", will soon hit the streets. Many local companies are involved: the region's three football clubs will help distribute the stickers, and Royal Insurance is sponsoring the distribution of the new booklets.

The partnership claims that the newspaper adverts, which ran in the broadsheets, affected the perceptions of leaders of companies with more than 500 employees, although they hardly reached the population as a whole. This fits in with the partnership's aim, which is to attract investment. But Mr Neil Rami, marketing manager of the partnership, says that many business people remain suspicious of the region.

Prof Parkinson believes that the people whose attitudes to Merseyside have been most affected by the campaign are the region's own decision-makers. He thinks they now have a clearer idea of the area's strengths.

The partnership will receive European Union funds for the campaign if it can show on December 31 that the adverts triggered sufficient telephone inquiries. Mr Rami is confident of meeting the EU targets. But he adds: "If we can't continue the campaign, it might create more sceptics than there were in the first place." He hopes for an annual budget of £1.5m to £2m, about a third of which would come from EU funds.

This is small beer compared to the campaigns of some other British cities, points out Mr Christopher Gibaud, chief executive of the partnership. That makes it all the more important for the slogan to be seized on by local T-shirt makers and companies. So far 40 Merseyside businesses use the 'pool of talent logo.

There has been just one major slip-up so far. One advertisement, designed to show that Merseyside was no longer strike-prone, had to be pulled last month when dockers took industrial action. Mr Roger Prideaux, public affairs manager at Royal Insurance UK, one of the region's biggest companies, says: "The objective of the campaign surely must be that if there's a strike in Liverpool, it's regarded as no more important than a strike in Newcastle, London or wherever."

But the Mersey Partnership is acutely aware that such events have a bigger effect on Liverpool's image than any advertisements can. Everything could be undone by another Heysel or Hillsborough football tragedy, more riots in Toxteth, or the return to local politics of the legendary figure who sent council workers their redundancy notices by taxi.

Christopher Gibaud, Mersey Partnership's chief executive

Conversely, the forthcoming launch of Paul McCartney's Liverpool Institute of Performing Arts will provide exactly the publicity the region needs. The 'pool of talent slogan was chosen partly to evoke Merseyside's traditions of great music and football. Research for the campaign had found that businesses deciding where to locate were most concerned about the quality of the local workforce. The underlying message of the campaign is that if you invest in Liverpool your workers will be as imaginative as the late John Lennon, and as effective as Ian Rush, the Liverpool footballer.

Prof Parkinson warns: "I'm not absolutely certain how much image affects investment. I think investors are pretty hard-nosed. They're not terribly interested in gossip about what the place was like five, 10, or 15 years ago."

But Mr Gibaud believes many investors in the south-east are still saying: "Merseyside, forget about it." He knows what he is talking about. "Five years ago I can remember being asked about Merseyside and dismissing it. Wrong place, wrong time, wrong everything."

The Mersey Partnership's is the biggest campaign the region has ever unleashed. But Merseyside has a lot of ground to make up. "The north-east probably started before us," says Mr Fraser. "And they never had Derek."

■ **The docks:** by Ian Hamilton Fazey

Management mettle tested

Even a controversial lockout has failed to prevent the port from thriving

This looks like becoming the most significant year for the Port of Liverpool since the old Mersey Docks and Harbour Board defaulted on its bonds and went bust 25 years ago.

Its successor, the Mersey Docks and Harbour Company, has achieved record turnover and profits, leapfrogged up the league table of the UK's quoted companies, all but seen off a major competitive threat in the Mersey and sacked 350 striking dockers, replacing them with fewer but more flexibly-minded workers – and it seems to have got away with it.

Few things could better symbolise the new Merseyside. The port has always been the main economic driver for Liverpool, Birkenhead and their hinterland. The area grew and prospered with the port from the early 19th century; the regional economy languished when the port declined.

But the port is now back and thriving: 20 years ago Mersey Docks was turning over £52m and losing nearly £4m; in 1984, turnover was still languishing at just over £50m, with pre-tax profit at £807,000; last year's turnover was a record £130m, with profits of £33.6m.

Even though the latest figures reflect Mersey Docks' takeover of the Medway Ports late in 1993, Medway's cargoes accounted for only 1.3m tonnes of 30.6m tonnes of throughput. Moreover, not only was the 29.3m tonnes handled in the Mersey better than in what was once thought the port's heyday four decades ago, but modernisation saw the job done with 350 dockers, rather than the 10,000 of yesteryear.

One result is that Mersey Docks as a company has successfully broken through the £250m market capitalisation ceiling that defines "small" quoted companies on the London Stock Exchange and is now attracting big company investors and financial institutions. This month market capitalisation has been running at nearly £400m, with the share price around 440p. The company and its stock were almost worthless a generation ago.

Two events in 1989 propelled Mersey Docks towards its current resurgence. One was the abolition by the government of the national dock labour scheme, which gave dockers jobs for life. Any redundancy had to be voluntary. The scheme was expensive as the port sought to modernise.

The other came when the government set the company free by writing off £111.5m of debt – public funds ploughed in over many years to modernise the port and buy off thousands of redundant dockers.

Mr Trevor Furlong, Mersey Docks' chief executive, gets indignant with anyone who suggests this was an undeserved leg-up. "It was never 'our' money," he insists. "We acted as bankers for all employers in the port. With jobs legally guaranteed under the scheme, we were the employer of last resort when companies such as Smith Coggins, Ocean Port Services and Port of Liverpool Stevedores could not keep them on."

The abolition of the national dock labour scheme, however, has been truly tested only this year. In September, 80 men employed by Torside, an independent stevedoring company, lost their jobs when the company went into liquidation. Mersey Docks refused demands to employ them and sacked 350 of its own employees when they refused to cross a picket line set up by the Torside men.

Not crossing the line amounted to an illegal, unofficial strike which has, in effect, cut the men off from official support by the T&G transport union and split it. Full-time officials had warned them not to jeopardise their jobs. The union now has to act for hundreds of other workers throughout the port who crossed the Torside picket line, 60 of them dockers.

The sackings have caused a wider split, as church and Labour party leaders have sided with the unofficial strikers, pleading for their job reinstatement and claiming that to expect Mersey dockers to cross picket lines is unreasonable because of the area's traditions of labour solidarity.

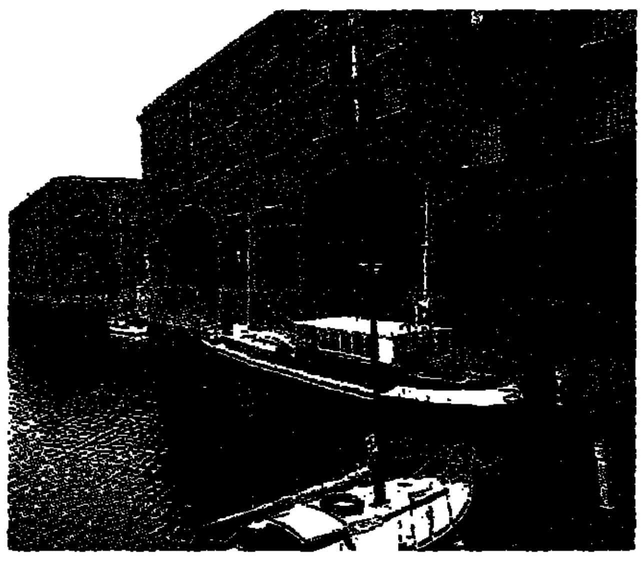
Mersey Docks and Harbour Company – the 20-year record

Year	Turnover (£m)	Profit/(loss) (£m)	Trade (m tonnes)	Dividend (p)
1975	52.2	(4.0)	22.5	Nil
1976	60.8	4.4	21.3	Nil
1977	62.7	4.1	18.5	Nil
1978	64.4	(1.5)	15.9	Nil
1979	66.3	(7.5)	15.4	Nil
1980	65.6	(6.3)	12.5	Nil
1981	61.4	(6.7)	11.0	Nil
1982	55.5	(13.6)	9.3	Nil
1983	57.0	7.5	10.7	Nil
1984	50.2	0.8	9.2	Nil
1985	53.0	2.4	10.2	Nil
1986	51.4	2.1	10.8	Nil
1987	53.9	3.8	10.3	Nil
1988	55.2	6.5	19.7	Nil
1989	57.1	8.3	20.3	4.16
1990	59.6	10.8	23.1	5.00
1991	69.5	13.2	24.7	6.00
1992	86.4	15.2	27.8	7.50
1993	96.4	20.9	29.3	9.00
1994	129.9	33.6	30.6	10.50

The dock company refused. A measure of just how far the labour relations climate has changed on Merseyside is that nearly 1,000 job applicants sought to replace those sacked. Moreover, Mersey Docks has contracted out most of its stevedoring to two independent companies, which are recruiting and training a new workforce.

Feelings are running high. Police are investigating claims of intimidation and criminal damage and there have been charges. Legitimate means of protest have included pressure from Labour MPs and Mr Ken Stewart, the MEP for the area and a former Liverpool city councillor in the mid-1980s.

Support from US longshoremen has raised hopes among the sacked men that cargoes and ships will be blacked in the US. Meanwhile, some shipping lines are staying away until the new labour force is up to speed and can offer a competitive service with other European ports.


The Albert Dock: now a tourist attraction

This last point seems to be the crux of it all: shippers expect up to 25 crane movements an hour from an efficient container terminal. Mersey Docks claims it was doing this two years ago, but says performance declined to 15 as dockside disputes developed over flexible working hours.

It says it was in danger of losing traffic anyway, but now has a realistic chance of regaining it. It has dug in and says the only way the sacked men can get work is to apply for jobs with its contractors.

Although the situation worries Merseyside's image-makers, many business leaders take a more robust view. They say that the fact that the port continues to operate proves the era has long gone when Mersey dockers could easily bend a management to their will.

Competitors have also tested Mersey Docks' mettle this year. Forth Ports joined a consortium of property developers with plans at Birkenhead for a floating stage and terminal for the expanding market in Irish Sea roll-on, roll-off freight.

Mr Furlong's competitive hackles were raised by the scheme, partly because it was his idea in the first place. Merseyside Development Corporation, which owns the Twelve Quays site in Birkenhead, turned down Mersey Docks because it did not have enough property development in its proposals.

But Forth Ports wanted an EU subsidy from Merseyside's Objective One funding to make its project viable. On the eve of the funding decision, Mersey Docks stymied its rival by announcing it would finance its competing plans entirely from its own resources.

The Irish Sea market is at present big enough for only one floating stage and ro-ro terminal, and EU money cannot be used to fund overcapacity. Officially, Forth Ports' proposal is still on the table, but it can be reactivated only in the unlikely event of Mersey Docks not going ahead.

The upshot of all this is that, economically speaking, a muscular Mersey Docks is back from the dead. Whatever the outcome of this year's problems, it is again at the core of the Merseyside economy.

■ **Oil and gas:** by Stewart Dalby

A lucky strike off the west coast

While they do not yet rival the North Sea, the new fields may have a life of 20 years

When oil and gas from the new Liverpool Bay fields start to flow early next month, it will be another landmark for BHP Exploration, the operator.

The company became a significant force in the UK oil and gas industry when it acquired Hamilton Oil in 1991. Hamilton, which had been an independent exploration and production company for more than three decades, produced the UK's first North Sea oil from the Argyll field in 1975.

BHP has paid for the exploration risk at what is set to be the first commercially viable combined oil and gas development off Britain's west coast. It has a 46.1 per cent stake in the integrated Liverpool Bay development, shared with Lasmo North Sea (25 per cent), Monument (Liverpool Bay) Petroleum (20 per cent) and PowerGen (North Sea), which has the rest.

Two of the consortium's four Liverpool Bay fields – Hamilton and Hamilton North – contain gas only, while Douglas contains only oil and Lennox contains a mixture of both. All are in shallow water in sight of land, with one only a few miles from the beach at Ainsdale.

Reserves are estimated at 1.2 trillion cubic feet of gas and 150m barrels of oil, which should give the fields a minimum life of 20 years. Oil will be loaded onto tankers and is expected to flow at a rate of 70,000 barrels a day. The gas, however, will be landed at the Point of Ayr terminal on the Welsh side of the Dee estuary, to be piped 17 miles to PowerGen's new generator at Connah's quay.

The BHP consortium has spent £1.1bn over 10 years developing the field. Operational expenditure is likely to be £40m a year.

Although the reserves are relatively easy to access, Mr Charles Howsen, director of communications at BHP Exploration, says it would be wrong to assume that the fields have been cheap to develop. "There have been strict ecological and environment conditions to observe. This all cost money," he says.

Some 250 people will be employed directly in operations, but the question being asked on Merseyside is what the spin-off will be for the local economy in terms of contracts and jobs.

The oil and gas industries are internationally mobile and tend to be self-contained. Merseyside will not even see any of the oil, which tankers will shuttle to storage for export to north European markets.

Mr Charles Green is the oil and gas expert at Sefton Borough Council. Bootle – part of Sefton – contains West Hornby dock, which BHP chose for the fields' supply base. He says: "We have tried to be conservative and not let expectations get out of hand. The Liverpool Bay development is still small compared to the North Sea, and the oil price is not what it was. Initially at least, much of the servicing will come from BHP's established base at Aberdeen. But we are encouraging companies to believe there will be contracts they can get."

Ms Rita Darwin, head of economic development at Sefton Borough Council, says: "Although much of the industry is self-sufficient, people have still got to eat. They want videos. There are all kinds of areas where local companies can participate.

"Don't forget Liverpool is a port. There is a tradition of marine engineering. There are also petrochemical industries like ICI and Shell in Runcorn and Ellesmere Port. There have to be spin-offs for the local economy. We must make sure that people are aware of them," she says.

Some contracts have already been won. The local Bibby shipping line is providing manpower services and regular shuttles to the rigs and installations. There are currently 27 helicopter flights a day from Liverpool airport at Speke, again run by a local company.

One of the most encouraging portents is that the local authorities are pulling together. In the past, the five district councils in Merseyside have often competed against each other rather than act in harmony.

Ms Darwin says: "It has been agreed that Sefton will take the lead in co-ordinating our approach towards the growing oil and gas industry."

Mr Mike Swift, head of the Sefton Chamber of Commerce, has become heavily involved in promoting oil. He says: "It is difficult to predict exactly how many jobs will be created, but £40m a year over 20 years is not exactly small beer. We are bound to get some spin-off."

The chamber and borough council have published a Merseyside Oil and Gas Directory, covering 500 companies which could supply the industry. "We have had 120 companies involved in 'meet the buyer' meetings. Contracts have already been signed for office furniture and flow machines as a result of these meetings," says Mr Swift.

Much depends, however, on a bigger industry emerging. Encouraged by BHP's success, other oil companies have bought licences and started exploration elsewhere in Liverpool Bay. Chevron has started drilling.

As Mr Green says: "A few more finds will make it economical to switch more servicing from Aberdeen. We are all living in hope."

COMMODITIES AND AGRICULTURE

MARKET REPORT

Coffee premium soars on supply tightness

London robusta COFFEE futures ended generally weaker at the London Commodity Exchange yesterday, but concern about a dearth of supplies available for immediate delivery led to a further widening of the spot premium. As the January position fell $1 and the prompt November rose $35 the premium, which ended last week at $172 a tonne, soared to $290.

"The market is quite well supported," commented one dealerr. "The structures are holding up."

Traders said there was some caution ahead of the meeting of the Association of Coffee Producing Countries in Bali next Monday, but little drastic action to shore up weakening coffee prices was expected. "What else can they do?" a trader asked.

An ACPC official said it would make sense to extend the export retention plan past June 1996, when it is due to end, but traders thought that was unlikely. "I don't see how they finance the plan already," said one.

LCE COCOA futures prices drifted to end at the day's lows in mostly quiet conditions. The March delivery position closed down £6 at £956 a tonne but was well above Wednesday's low and nearby support level of £950.

At the London Metal Exchange ALUMINIUM prices managed to clear the $1,700-a-tonne level but chances of sustaining a solid rally in the *short-term did not appear* great, analysts said.

The three months delivery position ended at $1,710 a tonne, up $12 on the day and just over $40 on the week so far. More physical business had been seen recently, consumer interest was picking up and *aluminium was becoming* less influenced by copper, traders said.

The physical activity suggested destocking might be ending, they added. Production was on an upward curve and there was plenty of stock available.

Precious metals firmed slightly in the afternoon after early selling from the Far East was well absorbed, dealers said.

"Hong Kong dealers were good sellers overnight which seemed well absorbed on the *London opening which looks* positive for the market," a dealer said. Others said a central bank was a significant buyer.

They identified the $382-a-troy-ounce level as the price which was apparently being defended by the producer-country central bank in morning dealings.

Compiled from Reuters

Rubber group faces limbo with confidence

Leading rubber producing and consuming nations hold their last council meeting here next week before sitting back to await a fresh rubber pact to give the trade and their international grouping a new lease of life, reports Reuters from Kuala Lumpur.

Their International Natural Rubber Organisation will be in a state of limbo until the new and third International Natural Rubber Agreement comes into force, but it will not shut its doors, officials say.

"I don't believe there'll be a move to liquidate Inro," says Mr James Hegarty, the organisation's buffer stock manager.

"Most governments have said they will ratify Inra III and we have M$70m (US$27.7m) in buffer stock *funds to keep operating until* the pact comes about."

Inro, based in Kuala Lumpur, is the last of the commodity groupings with some muscle.

Australian cotton processors abandon merger plan

By Nikki Tait in Sydney

Two of Australia's biggest cotton processors, the Namoi Cotton Co-operative and the listed Queensland Cotton Corporation, are halting plans for a merger. Had the deal, first announced in July, gone ahead, it would have created the country's biggest single cotton-ginning and marketing operation, with sales in excess of A$438m.

A formal statement from the companies said that the merger's collapse came after "months of due diligence" and "was the result of the inability of both parties to reach agreement on some key aspects of the merger".

Elaborating on this later, Mr Richard Haire, chief executive of QCC, said that he felt the deal had foundered on scale of changes facing Namoi – which would have lost its co-operative structure – and the price being asked in return for making those changes. In addition, he suggested that the current buoyant outlook for the industry, after several poor drought-affected seasons, had removed some of the pressure for the merger.

This is the second time Namoi, one of the largest grower-controlled ginning and marketing operations in the world, has been involved in abortive merger talks: plans for a merger last year with Cotton Trading Corporation, the independent cotton marketer, subsequently broke down. Namoi has around 600 grower members, but has seen mixed financial results recently. It said this week that it was still committed to making "fundamental changes" to the business, and would outline these next month.

The deal had been given a green light by the Trade Practices Commission, the country's competition watchdog.

Ghana's headlong gold rush continues

Mining law reforms have proved so effective they are being widely copied, writes **Kenneth Gooding**

The gold rush in Ghana continues at a headlong pace. It is being encouraged by the government's new mining laws that have been so effective that they are being copied by countries all over the world, particularly those that want to see more foreign investment in their mining industries. But Ghana is also stressing that, although it was once called the Gold Coast, the country can offer other mining opportunities.

As Mr Kofi Ansah, chief executive of Ghana's Minerals Commission, emphasises: "There is more to mining in Ghana than just gold". He says that to promote foreign investment in non-gold mining projects "we will give as much as the law allows, for example by postponing royalty payments".

Much of the country has already been carefully picked over by gold explorers, and Ghana is to fill in most of the gaps with an aerial geological survey of the Volta region and the northern part of the country.

The World Bank is helping to finance this project. Mr Ansah, speaking at the Minerals Commission's offices in a quiet suburb of Accra, says his government will own the data and mining companies will be asked to pay for the information - but at a rate well below cost. The survey "will give a picture of the types of minerals available", he points out.

Mr Kofi Ansah: He says "there is more to mining in Ghana than just gold".

Apart from an abundance of potential gold "targets", previous exploration has established that Ghana has two more big undeveloped bauxite deposits and a limestone deposit in the western region.

There is also a manganese deposit in the same region which, says Mr Ansah, is being tentatively examined by BHP, Australia's biggest company.

There are also diamonds in the Birim River. De Beers, the South African group that controls 80 per cent of the world's trade in rough (uncut) diamonds, decided against taking a controlling stake in the state owned Birim River Diamonds, saying that most of the stones in the river were mainly too small. A number of small companies are now queueing up to see what they can make of the opportunity.

Diamonds contributed $21m of Ghana's foreign earnings last year, well behind the $527m it earned from gold. Bauxite exports brought in $9.2m, about the same as the $9.65m from manganese.

The state-owned Ghana National Manganese Corporation is also on the list for privatisation. Mr Ansah says the government, through its privatisation programme, is making clear it does not believe that it should be directly involved in operating mines or minerals processing plants.

Elkem of Norway was selected as a potential partner for the government in the Manganese Corporation because the Norwegian company offered the prospect of doing some downstream processing to add more value in Ghana but said this month that it was not interested in taking a stake in the Ghanaian company.

Mr Ansah says he personally was not convinced that the processing scheme would come to anything because it apparently would call for the availability of cheap power and "the days of cheap power in Ghana are over".

Ghana has suffered power shortages because of explosive demand – consumption is growing at between 8 and 15 per cent a year – and a long drought that affected its two hydro-electric power plants. Two years ago mining companies were told that they could not expect any extra power if they wanted to expand.

The situation will be relieved from 1997 when the first phase of an oil-based power scheme comes into operation. This will add 25 per cent to Ghana's power generation capacity but will also add to the cost. The government will also privatise power generation and this is expected to raise power costs further, says Mr Ansah.

There is one exception to the privatisation rule. Ownership of Ghana Bauxite Company, where the government owns 55 per cent and Alcan of of Canada the rest, will not change.

Mr Ansah says Alcan persuaded the government to keep its stake. The Canadian group probably was influenced by the fact that the viability of the bauxite company relies heavily on rail transport – and the government owns the railway.

There are no substantial plans to introduce downstream operations at the bauxite company – by processing bauxite into alumina – as this would be too costly. But the company will spend a modest $3m on a facility to produce alumina sulphate.

Mr Ansah says that most foreign mining companies suggest that Ghana's mining laws and policies offer a good balance between the interests of investors and the country.

"The government is gaining a great deal from mining investment – there is no way we could develop all the mines ourselves," he points out.

He admits, however, that while mining might be good for Ghana's economy, it is not always environment friendly. For example, difficulties sometimes occur when mining companies need to use streams on which local communities depend. "We put pressure on the companies to keep such problems to a minimum and the international lending organisations such as the International Finance Corporation and the World Bank are also putting on a lot of pressure – that often has more influence than government pressure."

The flotation of Ashanti Goldfields on the Accra and London stock exchanges last year – a move that enabled the government to reduce its shareholding in the country's premier gold producer – helped to raise Ghana's international profile and "higher quality" mining companies are now showing an interest in the country, says Mr Ansah. He cites Western Mining, one of Australia's biggest mining groups, as an example.

When foreign mining companies are asked what Ghana could do to become an even more attractive place to invest, *they frequently ask for* personal tax concessions for ex-patriot personnel. Mr Ansah says his government will not budge on this point, however, it is simply not Ghana's policy to give such concessions.

Western output forecast to rise 300 tonnes by 1997

Western world gold mine production could increase by up to 300 tonnes a year by 1997, according to an industry survey by the Brook Hunt consultancy, reports Reuters.

After 15 years of uninterrupted growth, production was slightly lower last year and leading producer South Africa's share of the total continued to slide to 31 per cent from 75 per cent in 1970.

"Barring a large, sustained jump in gold prices, the inexorable decline of South Africa as a major gold producing country is set to continue," the survey says. The US is forecast to mine an extra 40 tonnes annually by 1997, if planned major projects go ahead.

But the rate of growth of the US, Canadian and Australian industries is slowing as attention shifts from easily-mined oxide deposits to more difficult orebodies. Increasingly stringent environmental and legislative criteria for mining permits are a further deterrent to developers, the survey says. The possibility of US federal royalties on mine production also led to a switch of capital to mining prospects in Latin America, Asia and the former Soviet Union.

By 1997 about 150 tonnes of additional gold will be produced in developing countries including Chile, Indonesia, Ghana and Papua New Guinea which have benefitted from the spread of exploration and investment capital.

Production costs have fallen by over $100 a troy ounce in 1994 terms since 1987 and average costs are continuing to decline with the development of lower-cost mines and the decline of South Africa as a producer. Higher productivity is a major factor in these cost reductions, the survey says. The total employed in gold mining has fallen by 18 per cent since 1986, while output has risen by 47 per cent.

Contained reserves in the operations covered by the survey have increased by over 200 per cent and mine production by 40 per cent over the past 10 years. Reserves should expand again after last year's pause. "This implies a healthy industry supported by good margins and steady inflows of capacity to fund growth," says Brook Hunt.

UN body sees timber market remaining gloomy

By Frances Williams in Geneva

The European market for forest products has sagged unexpectedly this year and is expected to decline further in 1996, according to the UN Economic Commission for Europe.

In its annual review of forest product markets for 1995 and 1996, the ECE says the industry's prospects have been dampened by sluggish economic growth and high real interest rates, which have depressed sectors such as construction.

In some sectors, such as the sawnwood and paper markets, stockbuilding in expectation of higher prices has led to oversupply and downward pressure on prices. Market pulp prices peaked in autumn 1995, after *doubling over the previous two* years to record levels.

The UN body also warns that heavy investment in the wood-based panels sector may not be "fully justified by trends in the markets".

After rising in 1994 following three years of decline, sawn softwood consumption in Europe is forecast to slip this year by 1.2 per cent, to 73.3m cubic metres, and by another 1.7 per cent in 1996.

Sawn softwood production is expected to increase slightly in 1995 to 74.8m cu m because some countries raised output earlier in the year before demand and prices fell. But production is forecast to fall back next year to 73.2m cu m. Softwood *log production and* consumption are predicted to follow similar trends.

Better prospects are seen for European hardwoods, with demand and output rising. Parquet flooring markets have doubled since 1986, the review notes. Temperate hardwoods are also increasingly a substitute for imports of tropical hardwoods, which are forecast to fall this year to 2.2m cu m, the lowest level in a decade.

Some eastern European countries, such as Poland, are also seeing dynamic expansion of the forestry sector. Russian sawnwood output, now only a third of 1988 levels, has continued to fall this year but the ECE predicts a rise in 1996.

The body says European forests are under-exploited, with wood removals far below the biological potential. "Efforts should be made to develop markets in order that the potential can be better utilised," the ECE argues.

Further falls forecast in Chinese copper market

Copper futures are likely to remain in a downtrend in China until early next year, mainly because of weak spot demand under Beijing's continued austerity measures, according to local analysts, reports Reuters from Shanghai.

Prices have been dropping on the Shanghai and Shenzhen metal exchanges since August, with demand steadily decreasing despite a steady international trend, they said.

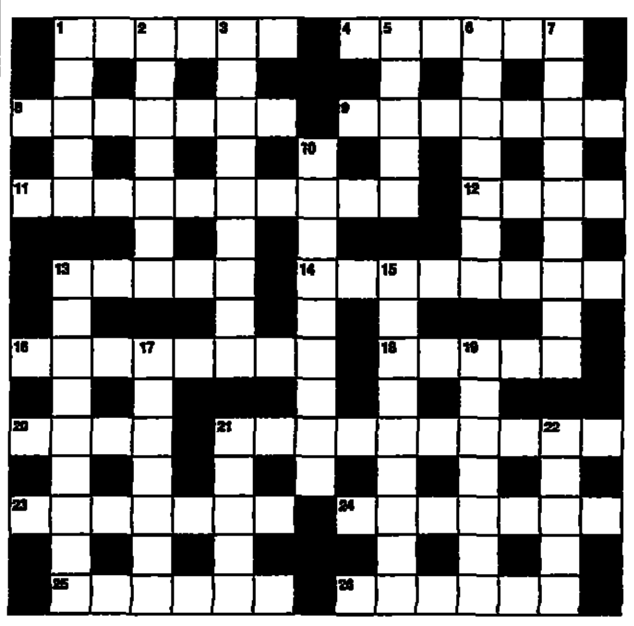
Late in August, copper prices on the London Metal Exchange hit their second-highest point this year of $3,063 a tonne but their counterparts in China failed to follow and stood at Yn31,000 a tonne, Yn1,000 yuan lower than in June.

LME copper's subsequent slide below $2,800 has been followed in China, however, where it was recently trading at Yn26,000.

"Weak spot demand on the domestic market was the main factor," said Mr Wang Ji, an analyst with China International Futures (Shanghai) Company.

CROSSWORD

No.8,927 Set by GRIFFIN



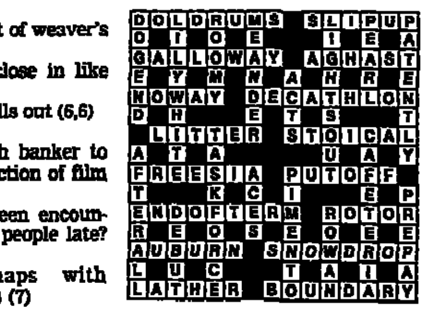
ACROSS

1, 4 Worked out I'd a clot for my GP (6,6)
8 College fellow withdraws comment, ringing article in (7)
9 Frighten second call girl with a half leer (7)
11 Bolt into bed elsewhere, having stopped up (7,3)
12 In bed gentlemen have the advantage (4)
13 Unmarried male is in passage (5)
14 Quietly I said "see note on solo arranged for flutes" (8)
16 Longs to embrace sick Greek hero (8)
18 Remains of male donkey found outside (5)
20 Ex-coppers getting into very big scrape (4)
21 See 1 down
23 Flowering in front of weaver's plastic bin (2,5)
24 After the races close in like guards (7)
25, 26 One always sells out (6,6)

DOWN

1, 21 across Cornish banker to appeal at introduction of film (5,10)
1, 13 down Unforeseen encounters which make people late? (5,9)
2 Intimidates chaps with unbeatable serves (7)
3, 21 down To refrain from interfering don't use any water? (5,4,5)
5, 15 Not what one would expect from an eccentric (3,2,9)
6 Coming round to drop a note in mine (7)
7, 22 Precise book required for monastic society (8,5)
10 Write music about it for Daisy? (8)
13 See 1 down
15 See 5
17 Making Lisa run off is narrow-minded (7)
19 Cheated out of nothing by the tearaway (7)
21 See 3
22 See 7

Solution 8,826



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1676-77	1710-11
Previous	1657-58	1692-93
High/low	1671	1713/1697
AM Official	1672-73	1705-5.5
Kerb close		1711-12
Open int.	223,835	
Total daily turnover	38,788	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1395-405	1435-45
Previous	1390-400	1432-35
High/low		1440
AM Official	1400-10	1435-45
Kerb close		1440-50
Open int.	4,226	
Total daily turnover	950	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	745.5-7.5	721-22
Previous	744.5-5.5	726-27
High/low	746/745.5	725/718
AM Official	745-45.5	722-23
Kerb close		722-3
Open int.	32,216	
Total daily turnover	3,876	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8570-80	8690-65
Previous	8540-50	8660-70
High/low	8580/8575	8790/8650
AM Official	8575-80	8700-10
Kerb close		8710-20
Open int.	43,660	
Total daily turnover	10,643	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6400-10	6430-35
Previous	6430-35	6450-55
High/low		6450/6415
AM Official	6390-95	6410-15
Kerb close		6420-30
Open int.	17,572	
Total daily turnover	5,071	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1029-30	1053-54
Previous	1033.5-4.5	1057-58
High/low		1055/1052
AM Official	1029-30	1053-54
Kerb close		1054-55
Open int.	82,303	
Total daily turnover	11,815	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2984-88	2741-42
Previous	2985-88	2758-58
High/low	2957/2955	2755/2732
AM Official	2955-56	2738-39
Kerb close		2740-41
Open int.	173,761	
Total daily turnover	45,477	

Base metals continued

■ LME AM Official £/$ rate: 1.5642
LME Closing £/$ rate: 1.5637

Spot: 1.5636 3 mths: 1.5607 6 mths: 1.5568 9 mths: 1.5536

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.00-382.50		
Opening	382.20-382.60		
Morning fix	382.55	244.575	435.265
Afternoon fix	382.80	244.788	436.780
Day's High	382.80-383.10		
Day's Low	382.10-382.40		
Previous close	384.80-385.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.08	6 months	2.89
2 months	2.05	12 months	3.14
3 months	2.17		

Silver Fix	p/troy oz.	US cts equiv.
Spot	333.05	520.75
3 months	337.35	526.40
6 months	341.55	532.00
1 year	350.25	543.25

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	246-247
Maple Leaf	393.35-395.85	
New Sovereign	90-92	57-59

US MARKETS CLOSED

COMEX, NYMEX, CBT, NYCE, CME and CSCE are closed for the Thanksgiving holiday.

FUTURES DATA
All futures data supplied by CMS.

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	16.74	-0.01	16.81	16.64	9,583	82,318
Feb	16.54	-0.03	16.58	16.44	2,449	21,987
Mar	16.36	+0.03	16.37	16.27	616	15,758
Apr	16.21	+0.02	16.17	16.13	71	8,212
May	16.10	+0.03	16.07	16.07	2	2,804
Jun	16.01	+0.04	-	-	502	8,282
Total					12,587	145,378

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	157.25	+0.75	157.25	155.25	3,845	24,296
Jan	156.75	+0.75	156.75	155.25	1,805	25,889
Feb	155.50	+0.50	155.00	154.25	758	7,298
Mar	153.75	+0.50	153.25	152.50	384	5,468
Apr	151.75	+0.25	151.75	151.00	38	1,883
May	150.25	+0.25	150.00	149.50	22	1,155

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	127.75	-	-	-	-	16
Jan	127.20	-1.40	128.70	127.50	129	2,185
Mar	129.30	-1.25	130.25	129.30	198	2,464
May	131.25	-1.35	132.35	131.50	151	3,048
Jul	133.40	-1.20	134.00	133.75	35	250
Sep	114.50	-1.25	-	-	-	50
Total					547	8,033

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	118.00	-	118.00	118.00	3	30
Jan	118.40	-1.20	119.25	118.75	6	919
Mar	120.75	-0.85	120.75	120.75	19	759
May	122.25	-1.10	122.50	122.50	-	237
Sep	112.25	-	-	-	-	6
Nov	113.00	-	-	-	-	5
Total					18	1,956

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	270.0	-	-	-	-	-
Apr	250.0	-8.5	258.0	250.0	55	1,167
May	285.0	-20.0	-	-	-	6
Jun	325.0	-	-	-	-	-
Total					55	1,176

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1705	-	-	-	-	628
Dec	1580	-10	1600	1580	22	221
Jan	1518	-2	1515	1515	13	1,172
Apr	1503	-2	1505	1505	15	1,240
Jul	1338	-12	1350	1350	29	451
Oct	1455	+20	-	-	-	84
Total					80	3,829

	Close	Prev
BFI	1717	1728

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	919	-2	927	918	710	9,130
Mar	956	-6	965	956	760	35,165
May	978	-7	983	973	327	14,916
Jul	992	-7	1003	994	215	5,817
Sep	1012	-5	1023	1019	220	26,479
Dec	1022	-7	1022	1022	400	6,380
Total					2,245	116,8K

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2456	+31	2485	2430	182	965
Jan	2171	-	2185	2160	1,784	14,648
Mar	2036	-38	2071	2034	1,813	8,040
May	1948	-58	1998	1950	507	4,081
Jul	1885	-62	1935	1890	348	1,215
Sep	1848	-50	1893	1885	20	402
Total					4,644	29,395

Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	10.79	-	-	-	-	-
Jul	10.79	-0.06	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	352.3	-0.2	353.0	352.5	23	14,687
May	342.7	+0.2	342.6	342.5	11	5,885
Aug	333.3	-	333.5	333.5	7	3,693
Oct	302.6	-0.4	303.5	303.3	311	2,908
Dec	294.3	-0.4	295.5	294.8	12	1,536
Mar	293.3	-0.1	-	-	-	279
Total					56	28,945

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1600	87	133	-	23
1700	13	72	26	60
1800	-	33	113	119
■ COPPER (Grade A) LME	**Dec**	**Feb**	**Dec**	**Feb**
2800	60	69	13	118
2900	31	37	54	165
3000	6	-	129	-
■ COFFEE LCE	**Jan**	**Mar**	**Jan**	**Mar**
1900	278	214	5	78
1950	231	184	10	98
2000	188	157	18	128
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
875	91	113	10	15
900	73	95	17	22
925	56	79	25	30
■ BRENT CRUDE IPE	**Dec**	**Jan**	**Dec**	**Jan**
1550	124	115	-	4
1600	78	75	-	6
1650	39	43	16	28

Wool

Prices eased at auctions in Australia, South Africa & New Zealand. Traders were surprised however when prices of British wool in Bradford were relatively steady to firmer despite limited hope of better business before christmas. Retail trade in the U.K, Europe & elsewhere is not good. Retailers with stock and margins under pressure are disinclined to buy more than they feel essential. Currency had mixed effects during the week, but in sterling terms show little change overall. The Eastern market indicator in Australia closed at 611 cts/kg. compared with 626 last week.

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$15.44-5.54w	-0.090
Brent Blend (dated)	$16.82-6.88	-0.060
Brent Blend (Jan)	*$16.73-6.76*	*-0.075*
W.T.I. (1pm est)	$18.05-8.06w	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$185-187	-1
Gas Oil	$161-162	+1.5
Heavy Fuel Oil	$87-89	
Naphtha	$150-151	
Jet fuel	$180-182	+0.5
Diesel	$163-164	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$382.25	-2.70
Silver (per troy oz)♣	523.0c	+2.5
Platinum (per troy oz.)	$412.00	-1.25
Palladium (per troy oz.)	$133.00	+0.25
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.05m	
Tin (New York)	304.5c	
Cattle (live weight)†	125.03p	-0.62*
Sheep (live weight)†♠	108.83p	+1.25*
Pigs (live weight)†	102.45p	+2.01*
Lon. day sugar (raw)	$303.80	+0.70
Lon. day sugar (wte)	$392.60	-1.20
Barley (Eng. feed)	£126.0	-
Maize (US No3 Yellow)	£105.5w	-
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	111.25p	+0.25
Rubber (Jan)♥	111.25p	+0.25
Rubber (KL RSS No1)	427.0m	+2.0
Coconut Oil (Phil)§	$750.0y	
Palm Oil (Malay.)§	$587.5y	
Copra (Phil)§	488.0y	
Soyabeans (US)	194.0u	
Cotton Outlook'A' index	89.00c	
Wooltops (64s Super)	444p	-8

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Jan.♥ w Jan. y Nov/Dec. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 23	Nov 22	month ago	year ago
2176.4	2182.7	2108.7	2138.3

■ CRB Futures (Base: 1967=100)

Nov 22	Nov 21	month ago	year ago
241.54	241.54	-	-

■ GSCI Spot (Base: 1970=100)

Nov 22	Nov 21	month ago	year ago
188.40	187.28	190.65	177.05

JOTTER PAD

INTERNATIONAL CAPITAL MARKETS

Rate-cut prospects prompt modest rises

By Richard Lapper

Actual and expected cuts in interest rates were again the main focus of attention in the European sector, helping a modest rise in prices in most markets. But with the US closed for the Thanksgiving Day holiday, trading volumes were thin.

■ The main economic data of the day came from Germany, with consumer price index figures for the state of North-Rhine Westphalia providing further indications of subdued inflationary pressure.

Figures for November showed inflation unchanged on an annualised basis at 1.7 per cent.

Mr Julian Jessop, international economist at HSBC Markets, said the core components of the index were all flat or lower and that the underlying picture was encouraging for the prospects of an early rate cut.

Mr Ian Douglas, head of bond research at UBS, agreed. "It is just a matter of time. Whether before Christmas or in the first quarter of next year, German rates are going to come down. All this is very positive for the long end of the market," he said.

Yesterday, the 10-year yield spreads of German bonds over US Treasuries narrowed again, by 1 basis point to 24 points, and futures contracts closed slightly higher.

■ The French markets shrugged off disappointment stemming from the Bank of France's decision not to reduce its five to 10-day rate, leaving it unchanged at 6.10 per cent. On Matif the 10-year futures contract settled at 119.30, up 0.20.

GOVERNMENT BONDS

■ Gilts continued their strong performance in the run-up to next week's budget, with the December 10-year reaching a new contract high of 109¾, before falling back to close at 109%, up more than a quarter.

Mr Andrew Roberts of UBS said demand from international investors was the main factor helping gilts break into a new trading range.

■ Scandinavian markets had a mixed day. A higher than expected cut in the 14-day CD rate – by 15 basis points to 5 per cent – provided support for the Danish market, which outperformed Germany, but Sweden slipped back.

Mr Douglas at UBS said the Danish market had been buoyed by lower than expected inflation numbers earlier this week and since the Danish central bank had now finished its funding programme for 1995, there was less supply pressure hanging over the market

Yesterday's rate cut boosted the short end of the curve, prompting some steepening, with the spread between two and 10-year bonds widening by 5 basis points to 205 points.

At the longer end, yields on the nine-year benchmark – the 7 per cent due 2004 – fell by three basis points. The 10-year yield spread of Danish bonds over Germany narrowed by 1 basis point to 120 points.

The Swedish market lost some ground, partially as a result of profit taking. Swedish yields over Germany widened by 7 basis points to 261 points.

■ Spanish markets started well but drifted back after the Bank of Spain opted not to reduce the repo rate from its current 9.25 per cent, and closed only slightly higher.

D-Mark debut by Buenos Aires well received

By Conner Middelmann

With the US closed for the Thanksgiving Day national holiday yesterday, trading in the eurobond market was subdued and primary activity was limited to only a handful of non-dollar issues.

The Argentine Province of Buenos Aires made its debut in the D-Mark sector, with a DM150m issue of three-year bonds via Salomon Brothers and Westdeutsche Landesbank Girozentrale, the investment bank affiliated with Germany's savings banks network which represents a large pool of retail investors.

INTERNATIONAL BONDS

Indeed, retail buyers were attracted by the bonds' 10 per cent coupon and re-offer price below par, the lead managers said. They also reported good demand from emerging-market fund managers and some switching into the bonds out of Venezuela's DM500m issue of three-year bonds, launched on Monday. The Province of Buenos Aires is rated B1/BB–, compared with Venezuela's rating of Ba2/B+.

Buenos Aires was the third Latin American issuer to tap the D-Mark sector this week, following offerings from Venezuela and Argentina. This slew of issues has pushed back the widely flagged DM200m five-year D-Mark debut of the Republic of Colombia, which is now likely to come early next week.

The delay is partly due to Colombia's desire to differentiate itself from other Latin credits; while this week's new bonds, with coupons between 10 per cent and 10.5 per cent, were priced at yield spreads of between 465 and 565 basis points over German government bonds, Columbia's offering is expected to have a coupon of around 7 per cent, yield 160 to 170 basis points over the interpolated German government yield curve, and to be targeted at institutional rather than retail investors.

Chile and Columbia are the only investment-grade rated Latin American issuers, but Chile has no paper outstanding in the eurobond market.

Elsewhere, GenFinance, the Luxembourg-based financing arm of Belgium's Générale Bank, launched a well-received £100m issue of 9 per cent perpetual step-up bonds with a call option after 10 years.

The paper was priced to yield 120 basis points over the 10-year benchmark gilt; if the bonds are not called, the coupon steps up to 270 basis points over the prevailing five-year gilt.

J.P. Morgan, lead manager of the deal, reported strong demand, especially from UK institutions but also from continental European investors, who took about 90 per cent of the issue.

Elsewhere, Mr Reinoldijus Sarkinas, the finance minister of Lithuania, said that the Baltic state hopes to make at least part of a planned $60m eurobond issue before the end of the year, Reuters reports.

"I hope that part of the government bond will be issued this year and the rest next year," Mr Sarkinas told a news conference in Vilnius.

Nomura International is arranging the launch of the bond for Lithuania but the two sides are still discussing the interest rate. Lithuania wants the coupon to be below 10 per cent while Nomura says it should be above that level.

Lithuanian representatives have been making presentations about the small Baltic state to potential investors in London and New York.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
CLF Hypo. Berlin(a,)‡	150	(a1)	100.09	Jan.2003	0.20	-	DG Bank
Province of Buenos Aires	150	10.00	99.75R	Dec.1998	1.125R	+565(5%-98)	Salomon/ WestLB
STERLING							
GenFinance Lux.(b,§)	100	9.00	99.698R	undated	0.625R	+120(8½%-05)	JP Morgan Securities
GUILDERS							
SHV Makro(c)	75	7.25	102.83	Jul.2005	0.425	+55(7¼%-05)	ABN Amro Hoare Govett
ITALIAN LIRE							
Abbey Natl.Treasury Services	150bn	10.50	101.105	Dec.1997	1.125	- -	SBC Warburg
DANISH KRONER							
Bacob Overseas(s)	400	7.50	102.20	Nov.2002	1.875	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Oeffentliche pfandbrief. a1) 6-mth Libor flat. b) Callable on 5/1/06 and every 5 yrs thereafter at par. If not called, coupon is reset to yield 270bp over the then 5-yr gilt. c) Fungible with Fl 250m. Plus 142 days accrued. § Long 1st coupon. s) Short 1st coupon.

Regulators find disclosure of activities has improved

By Richard Lapper

International banks and securities houses have made progress in increasing the amount of information they disclose about their activities in the derivatives markets, according to a recent report.

The report – issued jointly by banking and securities industry regulators – shows that banks, especially in the US, are giving more information about their exposures to adverse movements in the markets, defaults by creditors or sudden contractions of liquidity.

Information of this kind is important because the enormous growth of business conducted off-balance sheet – usually resulting from dealing in the swaps and derivatives market – has made it difficult for regulators and market practitioners to assess the real financial health of banks and securities firms.

The report examined the level of disclosure by analysing the 1994 annual reports of 67 banks and 12 securities firms. The researchers then compared the information with that disclosed by the same firms a year previously.

The exercise revealed a marked rise in the willingness of banks to make public details which had previously remained confidential.

All of the banks and firms surveyed, for example, provided details of the notional amounts of their derivatives holdings, compared with only 67 in 1993.

Almost half the banks and all the securities firms notified details of their derivatives trading activities.

Nearly twice as many banks and houses (25 compared with 13) provided information distinguishing their over-the-counter positions from their exposures on traded derivatives markets.

Twice as many banks (31 against 15) provided a so-called combined maturity schedule, giving details of the outstanding maturities of derivatives on their books.

Dealers are also providing more information relating to credit risk.

For example, a total of 45 banks and securities houses – compared with 35 in 1993 – disclosed the so-called "risk-based capital credit equivalent amounts of derivatives" (a measure of the potential future credit risk stemming from swaps and other derivatives positions).

DERIVATIVE INSTRUMENTS

Twenty-one banks and six securities firms provided details on the counterparty credit quality of their derivatives portfolio, compared with five and one respectively in 1993.

More information was also supplied allowing shareholders and customers to assess the exposure of firms to particular industries or geographical regions.

The most notable change in 1994, however, was the provision of so-called market risk information – drawn from value-at-risk computer models which monitor day-to-day exposure to movements in the prices of shares, bonds, currencies and other financial instruments.

Eighteen banks and houses provided quantitative market risk information compared with four firms in 1993.

The report also found that banks are providing more qualitative information, reporting, for example, on the approach they adopt to particular risks and the management groups responsible for implementing policy, although the results are uneven.

"There remain significant differences across large, internationally active banks and securities firms with respect to the type and usefulness of the information disclosed," the report says.

The most obvious differences stem from distinct national approaches.

Italian banks score badly on virtually all counts. None of the eight surveyed provide details of market or credit risks nor any qualitative assessment.

By contrast, US banks appear to be in the vanguard of sophisticated risk management practice, undoubtedly reflecting their greater experience in the area.

More than half the 10 banks surveyed provide very detailed assessment of market risks, giving shareholders details of the daily changes in the values of portfolios and the effect of derivatives on so-called gap positions – which measure the difference between the maturities of assets compared with liabilities.

Mr Tim Shepheard-Walwyn, international adviser to the Securities and Investments Board, the UK securities industry watchdog, welcomed the report.

"This is an area where we have made significant progress," he said. The report reflects the "increasing interest in the use of market mechanisms to impose discipline", he added.

"By underlining the need for firms to make their own credit decisions based on good quality information about their counterparties, good practice is reinforced by market disciplines."

Public Disclosure of The Trading and Derivatives Activities of Banks and Securities Firms. Joint Report by the Basle Committee on Banking Supervision and the Technical Committee of the International Organisation of Securities Commissions (Iosco), November 1995.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia	7.500	07/05	94.1800	+0.320	8.39	8.52	8.33
Austria	6.500	11/05	98.3800	+0.130	6.73	6.76	6.98
Belgium	6.500	03/05	98.0200	+0.150	6.79	6.78	7.08
Canada *	8.750	12/05	109.3400	+0.320	7.41	7.53	7.57
Denmark	7.000	12/04	96.9200	+0.180	7.48	7.57	7.85
France BTAN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OAT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany Bund	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan No 129	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
No 174	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Gilts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Treasury *	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU (French Govt)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing, *New York mid-day. Yields: Local market standard.

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	Jan	Feb	Mar	PUTS Dec	Jan	Feb	Mar
9750	0.35	0.37	0.65	0.86	0	0.62	0.90	1.11
9800	0	0.20	0.45	0.64	0.15	0.95	1.20	1.39
9850	0	0.10	0.30	0.47	0.65	1.35	1.55	1.72

Est. vol. total, Calls 13399 Puts 9088. Previous day's open int., Calls 217689 Puts 222350

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Nov 23	Day's change %
1 Up to 5 years (22)	122.77	+0.12
2 5-15 years (21)	147.93	+0.25
3 Over 15 years (9)	165.61	+0.39
4 Irredeemables (6)	188.59	+0.67
5 All stocks (58)	143.52	+0.24

[illegible]

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE)

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE)

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF)

[illegible]

US

■ US TREASURY BOND FUTURES (CBT)

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE)

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar ambles sideways in holiday atmosphere

By Philip Gawith

With markets shut in the US for Thanksgiving Day, and also in Japan, foreign exchanges were yesterday consigned to a day of very quiet trading.

The main currencies continued to move in the fairly narrow ranges that have characterised recent trading sessions, with markets generally bereft of any inspiration to provide fresh trading direction.

The next event with the potential to break this torpor is the Bundesbank council meeting next Thursday. Many observers believe there is a reasonable chance that the Bundesbank will cut its official rates.

The dollar ambled sideways to finish in London at DM1.4136, from DM1.4085. Against the yen it finished at Y100.655, at Y101.03.

Sterling continued its steady rally off the historic lows reached last week. Against the D-Mark it closed at DM2.2093, from DM2.1991. Against the dollar it closed at $1.5629, from $1.5613. The trade weighted index closed at 83.1, up from 82.8, and the low of 82.2 reached earlier this week.

In Europe the D-Mark was slightly weaker against most other currencies. It also lost ground against the yen, which finished at Y71.21, from Y71.71.

■ Christmas always seems to come earlier in the foreign exchanges, and this year is no different. Traders were yesterday surpassing each other to describe the slow pace of activity. Mr Mike Gallagher of IDEA, the financial markets consultancy, said: "Today is worse than Christmas eve!"

Mr Alan Collins, senior manager corporate treasury at Merita Bank in London, told Reuters: "You'd find it amazing how little is going through...Apathy rules."

Mr Gallagher said the most recent market survey conducted by IDEA showed opinions about future trends to be closely bunched around current spot prices. There was an absence of strong conviction about the trading outlook.

One useful titbit was that both interbank traders and corporate/institutional investors were found to be slightly underweight sterling ahead of the budget next week.

Mr Gallagher said that: "This reflects recent selling on fears that the budget will contain some sort of policy stimulation that will lack credibility." He said he believed these fears could well prove to be unnecessary. "The market has focused too much on tax cuts and too little on spending restraint."

Commenting on the dollar, Mr Chris Turner, currency strategist at BZW in London said he did not believe sufficient attention had been given to the "impressive" US trade figures released earlier this week. "Four years of gains in Japan's surplus with the US have gone in four months," he said.

This trend has the potential to fuel a dollar rally in the New Year, although Mr Turner said in the short term Japan was the only leading economy where rate cuts were not under discussion, and this could bolster it in the short term.

■ Two European currencies which have performed well recently are the Swedish krona and the peseta. The krona has recovered to SKr4.62 against the D-Mark, from a low of SKr5.43 in April, while the peseta has been steady around the Pta85 level, having sunk to Pta93.55 in March.

The krona's rally has come on the back of an improved export performance, which has improved the current account position, and improved tax revenues. Domestic investors have also become more optimistic about the budget situation.

"There has been a big re-rating of the Swedish fundamentals, helped by the obvious desire of the central bank to see a stronger currency," said Mr Turner.

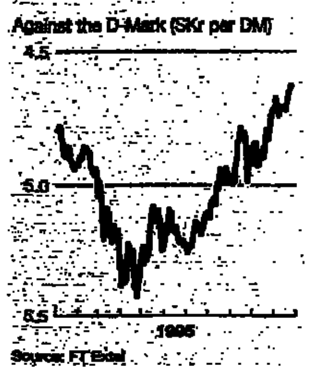
The central bank has made clear that it would prefer to combat inflationary pressures with a stronger currency, rather than through higher interest rates, especially given that exports are strong, while domestic demand is soft.

The peseta, meanwhile, is a potential beneficiary of the renewed focus on the Maastricht criteria. Spain is seen as having an outside chance of meeting all of the criteria, and this is prompting a re-rating. "It is the dark horse of EMU," said Mr Gallagher.

■ The Bank of England provided £720m assistance towards clearing a £700m daily market shortage. Futures markets continue to discount a 50 basis point cut in interest rates by next March.

Swedish Krona

Against the D-Mark (SKr per DM)



Source: FT Extel

■ **Pound in New York**

Nov 22	---Close---	--Prev. close--
£ spot	1.5638	1.5570
1 mth	1.5625	1.5568
3 mth	1.5607	1.5539
1 yr	1.5513	1.5432

■ **OTHER CURRENCIES**

Nov 23	£	$
Czech Rp	40.9427 - 40.9819	26.2050 - 26.2150
Hungary	207.543 - 207.841	132.900 - 132.950
Iran	4689.90 - 4697.20	3000.00 - 3000.00
Kuwait	0.4678 - 0.4692	0.2994 - 0.2995
Poland	3.8713 - 3.8751	2.4778 - 2.4788
Russia	7138.03 - 7138.61	4566.00 - 4569.00
U.A.E.	5.7381 - 5.7422	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Nov 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5446	+0.0712	351 - 541	15.5542	15.4734	15.5142	2.3	15.4556	2.3	-	-	108.9
Belgium	(BFr)	45.3852	+0.1621	408 - 295	45.6620	45.1990	45.2802	2.8	45.0852	2.8	44.3002	2.4	109.5
Denmark	(DKr)	8.5565	+0.0366	524 - 605	8.5644	8.5206	8.5488	1.1	8.5323	1.1	8.4696	1.0	109.8
Finland	(FM)	6.5938	+0.0203	880 - 996	6.6100	6.5710	6.5894	0.8	6.5813	0.8	-	-	88.5
France	(FFr)	7.6099	+0.0233	065 - 133	7.6175	7.5749	7.6065	0.5	7.6188	-0.5	7.6155	-0.1	110.7
Germany	(DM)	2.2093	+0.0102	080 - 105	2.2117	2.1986	2.2045	2.6	2.1948	2.6	2.1538	2.5	112.1
Greece	(Dr)	364.668	+0.924	430 - 905	368.179	362.299	-	-	-	-	-	-	66.8
Ireland	(I£)	0.9704	-0.0009	695 - 713	0.9714	0.9695	0.9696	1.0	0.9683	0.9	0.9651	0.6	97.2
Italy	(L)	2489.15	+8.01	734 - 096	2490.96	2479.20	2496.4	-3.5	2511.3	-3.6	2579.45	-3.6	70.0
Luxembourg	(LFr)	45.3852	+0.1621	408 - 295	45.6620	45.1990	45.2802	2.8	45.0852	2.6	44.3002	2.4	109.5
Netherlands	(Fl)	2.4742	+0.0114	727 - 756	2.4756	2.4628	2.4686	2.7	2.4573	2.7	2.4116	2.5	109.8
Norway	(NKr)	9.7349	+0.0306	305 - 392	9.7567	9.7057	9.7225	1.5	9.7006	1.4	9.6251	1.1	98.8
Portugal	(Es)	230.974	+0.854	829 - 118	231.118	230.109	231.514	-2.8	232.734	-3.0	-	-	95.7
Spain	(Pta)	189.230	+0.781	129 - 331	189.359	188.372	189.73	-3.2	190.67	-3.0	195.07	-3.1	81.7
Sweden	(SKr)	10.2108	+0.0403	000 - 215	10.2294	10.1442	10.213	-0.3	10.2176	-0.3	10.2409	-0.3	87.5
Switzerland	(SFr)	1.7809	+0.0064	800 - 818	1.7826	1.7732	1.7738	4.8	1.7619	4.3	1.709	4.0	116.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.1
Ecu	-	1.2021	+0.0034	015 - 026	1.2044	1.1987	1.2011	1.0	1.199	1.0	1.1906	1.0	-
SDR†	-	1.040500	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5626	+0.0015	621 - 631	1.5654	1.5602	-	-	-	-	-	-	-
Brazil	(R$)	1.5070	+0.0009	062 - 078	1.5097	1.5053	-	-	-	-	-	-	-
Canada	(C$)	2.1160	+0.0022	146 - 173	2.1202	2.1102	2.1171	-0.6	2.1191	-0.6	2.1229	-0.3	84.3
Mexico (New Peso)		11.9246	-0.1443	899 - 592	11.9738	11.8899	-	-	-	-	-	-	-
USA	($)	1.5629	+0.0016	624 - 633	1.5659	1.5604	1.5617	0.9	1.5599	0.8	1.5505	0.8	92.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1138	+0.0072	125 - 151	2.1227	2.1088	2.1151	-0.7	2.1179	-0.8	2.1327	-0.9	84.5
Hong Kong	(HK$)	12.0878	+0.0124	836 - 921	12.1099	12.0694	12.0844	0.3	12.0719	0.5	12.0383	0.4	-
India	(Rs)	54.4185	+0.0618	715 - 654	54.4930	54.3610	-	-	-	-	-	-	-
Israel	(Shk)	4.7889	+0.0219	838 - 940	4.7940	4.7609	-	-	-	-	-	-	-
Japan	(Y)	157.309	-0.429	224 - 393	157.710	157.120	156.449	6.6	154.654	6.8	147.609	6.2	142.4
Malaysia	(M$)	3.9678	+0.0013	658 - 697	3.9758	3.9634	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3965	+0.0027	948 - 981	2.4013	2.3930	2.4024	-3.0	2.4117	-2.5	2.4373	-1.7	100.4
Philippines	(Peso)	40.9467	+0.0406	568 - 366	41.0368	40.9483	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8619	+0.0057	598 - 639	5.8729	5.8531	-	-	-	-	-	-	-
Singapore	(S$)	2.2063	+0.0036	049 - 077	2.2098	2.2033	-	-	-	-	-	-	-
South Africa	(R)	5.7068	+0.0111	040 - 096	5.7161	5.6939	-	-	-	-	-	-	-
South Korea	(Won)	1202.07	+2.13	164 - 249	1204.33	1199.37	-	-	-	-	-	-	-
Taiwan	(T$)	42.6721	+0.0067	551 - 890	42.7506	42.6114	-	-	-	-	-	-	-
Thailand	(Bt)	39.2589	+0.0389	319 - 857	39.3200	39.1930	-	-	-	-	-	-	-

† Rates for Nov 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.9463	+0.0357	431 - 495	9.9495	9.9120	9.9312	1.8	9.9011	1.8	9.7918	1.6	107.0
Belgium	(BFr)	29.0400	+0.075	200 - 600	29.2650	28.9550	28.999	1.7	28.92	1.7	28.62	1.4	109.2
Denmark	(DKr)	5.4749	+0.0181	739 - 759	5.4759	5.4560	5.4758	-0.2	5.4714	0.3	5.4809	-0.1	109.2
Finland	(FM)	4.2191	+0.0088	166 - 216	4.2265	4.2069	4.2187	0.1	4.2176	0.1	4.2131	0.1	87.8
France	(FFr)	4.8693	+0.0102	685 - 700	4.8700	4.8530	4.8679	0.3	4.8665	0.2	4.8631	0.1	110.3
Germany	(DM)	1.4136	+0.0051	132 - 140	1.4140	1.4083	1.4116	1.7	1.4074	1.7	1.3918	1.5	111.6
Greece	(Dr)	233.335	+0.36	250 - 420	234.180	231.590	235.06	-8.9	238.28	-8.4	251.735	-7.9	66.3
Ireland	(I£)	1.6105	+0.003	095 - 115	1.6130	1.6075	1.6107	-0.1	1.6108	-0.1	1.6173	-0.4	-
Italy	(L)	1592.70	+3.55	200 - 340	1593.50	1588.50	1599.45	-5.1	1611.5	-4.7	1668.7	-4.8	69.5
Luxembourg	(LFr)	29.0400	+0.075	200 - 600	29.2650	28.9550	28.999	1.7	28.92	1.7	28.62	1.4	109.2
Netherlands	(Fl)	1.5831	+0.0057	826 - 836	1.5836	1.5776	1.5804	2.0	1.5754	2.0	1.5554	1.8	109.1
Norway	(NKr)	6.2289	+0.0134	279 - 299	6.2375	6.2165	6.2252	0.7	6.2189	0.6	6.2089	0.3	97.8
Portugal	(Es)	147.790	+0.4	740 - 840	147.840	147.380	148.255	-3.8	149.265	-4.0	153.89	-4.1	95.8
Spain	(Pta)	121.080	+0.36	050 - 110	121.110	120.690	121.46	-3.8	122.23	-3.8	125.725	-3.8	81.6
Sweden	(SKr)	6.5334	+0.0193	284 - 384	6.5384	6.4977	6.5509	-3.2	6.5874	-3.3	6.7559	-3.4	87.2
Switzerland	(SFr)	1.1396	+0.0031	393 - 398	1.1398	1.1360	1.136	3.8	1.1299	3.4	1.1021	3.3	115.6
UK	(£)	1.5629	+0.0016	624 - 633	1.5659	1.5604	1.5617	0.9	1.5598	0.8	1.5505	0.8	82.2
Ecu	-	1.3002	-0.0023	998 - 004	1.3041	1.2968	1.3006	-0.4	1.3013	-0.3	1.3036	-0.3	-
SDR†	-	0.66740	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9643	-0.0003	640 - 645	0.9645	0.9640	-	-	-	-	-	-	-
Canada	(C$)	1.3539	-	534 - 544	1.3548	1.3520	1.3556	-1.5	1.3588	-1.4	1.3709	-1.3	83.3
Mexico (New Peso)		7.6300	-0.1	100 - 500	7.6500	7.6000	7.6322	-0.4	7.6354	-0.3	7.6403	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3524	+0.0032	521 - 530	1.3530	1.3556	1.3542	-1.6	1.3578	-1.6	1.3775	-1.9	85.4
Hong Kong	(HK$)	7.7345	+0.0002	340 - 350	7.7350	7.7344	7.736	-0.2	7.738	-0.2	7.7582	-0.3	-
India	(Rs)	34.8200	+0.005	000 - 400	34.8330	34.8000	34.97	-5.2	35.275	-5.2	36.745	-5.5	-
Israel	(Shk)	3.0642	+0.011	618 - 666	3.0666	3.0499	-	-	-	-	-	-	-
Japan	(Y)	100.655	-0.375	630 - 680	100.870	100.500	100.16	5.9	99.24	5.6	95.365	5.3	142.2
Malaysia	(M$)	2.5388	-0.0017	383 - 393	2.5408	2.5383	2.5388	0.0	2.5392	-0.1	2.5488	-0.3	-
New Zealand	(NZ$)	1.5333	+0.0003	328 - 340	1.5340	1.5328	1.5374	-3.2	1.5449	-3.0	1.5696	-2.4	-
Philippines	(Peso)	26.2000	-	500 - 500	26.2500	26.1600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	-0.0001	505 - 510	3.7510	3.7502	3.7513	-0.2	3.7522	-0.1	3.7553	-0.1	-
Singapore	(S$)	1.4117	+0.0009	112 - 122	1.4125	1.4110	1.4083	2.9	1.402	2.8	1.3772	2.4	-
South Africa	(R)	3.6516	+0.0035	508 - 523	3.6528	3.6480	3.6769	-8.3	3.7269	-8.3	3.9581	-8.4	-
South Korea	(Won)	789.150	+0.6	100 - 200	789.300	787.500	772.15	-4.7	775.85	-3.4	794.15	-3.3	-
Taiwan	(T$)	27.3040	-0.0215	010 - 070	27.3210	27.2960	27.324	-0.9	27.364	-0.9	-	-	-
Thailand	(Bt)	25.1200	-	100 - 300	25.1300	25.1100	25.2075	-4.2	24.855	4.2	26.075	-3.8	-

† SDR rate per $ for Nov 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 22: Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.85	16.77	4.868	2.138	5485	5.452	21.45	508.8	416.9	22.50	3.925	2.204	4.663	3.444	346.6	2.649
Denmark	(DKr)	53.04	10	8.893	2.582	1.134	2909	2.892	11.38	269.9	221.1	11.93	2.082	1.169	2.473	1.827	183.8	1.405
France	(FFr)	59.64	11.24	10	2.903	1.275	3271	3.251	12.79	303.5	248.7	13.42	2.341	1.314	2.781	2.054	206.7	1.580
Germany	(DM)	20.54	3.873	3.445	1	0.439	1127	1.120	4.407	104.5	85.65	4.622	0.806	0.453	0.958	0.708	71.21	0.544
Ireland	(I£)	46.78	8.821	7.844	2.277	1	2566	2.551	10.04	238.0	195.1	10.53	1.836	1.031	2.181	1.611	162.2	1.239
Italy	(L)	1.823	0.344	0.306	0.089	0.039	100.	0.099	0.391	9.277	7.601	0.410	0.072	0.040	[illegible]	[illegible]	[illegible]	[illegible]

The FT GUIDE TO WORLD CURRENCIES, published in Monday's newspaper and covering over 200 currencies, is now available by dialling the following number from the keypad or handset of your fax machine. 0891 437 001. Calls are charged at 39p/min cheap rate and 49p/min at all other times. For service outside the UK please telephone +44 171 873 4378 for details on Cityline International.

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld [illegible]	P/E
Barings Bsc Cn 2nd Prf.		50½#	----	98	50¼	8.31	19.8	–
Cater Allen	$v	461	–2	525	418	159.3	7.9	7.0
Close Bros	$◊v□	316	–2	*348½	276¼	378.5	3.4	14.3
Gerrard & Nat	$v	458xd	–1	480	395	222.5	6.2	14.7
Hambros	v□	203	----	253	190	358.9	4.7	–
7½pc Cv Pf		97	----	112	94	125.8	9.7	–
Joseph (L)	$v	463	----	463	353	24.5	4.8	25.9
King & Shaxson	$v□	115	----	145	85	29.6	9.8	8.9
Rea Brothers	$v	45	----	67	44	21.9	2.8	18.0
Schroders	$†♦v□	1303	----	*1478	906¾	1,967	1.4	18.8
N/V	†♦v	1056	----	*1180	823¾	483.1	1.6	15.6
Singer & Fried	$†v□	109	----	118	81	214.4	4.2	11.3
8½pc Cv Ln 08/14		£135	----	£135	£100	41.7	6.2	–
Union	$v□	111	----	121	70	29.5	3.4	–
Wintrust	$v	286	----	285	200	24.6	4.9	16.5

BANKS, RETAIL

	Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro R	□	228½	+¼	229½	221¼	8,703	4.5	10.6
ANZ A$		279	–1	285	199	3,977	5.6	Φ
Abbey National	$†v□	606	–15	622½	413	7,969	4.0	12.1
Allied Irish £	$†□	382	–5	388	250	2,413	4.0	10.5
Anglo Irish £	□	67	----	70	48	230.5	6.7	Φ
Asahi Y	□	727¼	–1¼	867¼	605¼	18,909	0.6	–
Banco Bil Viz Pta	□	120¾	+¾	121¾	2142)	4,665	4.0	9.2
Banco Sant Pta		227¼	----	227¼	222¼	4,412	4.8	18.9
Bk Ireland £	†v□	472xd	–6	479	288	2,244	3.8	9.5
Bank Scotland	$†v□	267xd	–6	274	191½	3,145	2.9	11.8
9¾pc Pf		114½xd	+1¼	120	108¼	114.5	10.1	–
New 9 1/4pc Pf		114½xd	+1½	118¾	108¾	114.5	10.1	–
9¼pc Pf		128¼xd	+1¼	128¾	112¼	120.8	10.1	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	+ or -	1995 high	low	Yld Gr's	NAV	Dis or Pm(-)
Fulcrum Inc.	♣v	38	—	46	36	–	–	–
Cap		18½	—	24	17½	–	42.9	56.9
Zero Div Pf		166	-½	181	141	–	–	–
Gartmore Brit Inc	♣†s	87xd	—	98	81	11.0	95.1	9.5
Zero Div Pref		134	-¼	134½	100	–	–	–
Units		218xd	—	218	188	4.2	225.5	3.3
Gartmore Scot Inc.	♣v	61xd	—	72	61	21.5	–	–
Cap		111	—	114	80	–	280.6	60.4
Zero Div Pf		181	-½	181½	168½	–	–	–
Units		2595xd	+10	2595	2575	4.6	–	–
Gartmore Shared Eq.	♣v☐	93	—	101	84	12.9	85.2	-9.2
Senior Zero Pf		119½	—	120	95	–	–	–
Junior Zero Pf		117½	—	120	94	–	–	–
Gov Cons Inc.	v☐	108	—	113	104	11.1	–	–
Cap		174	—	183	138	–	247.3	29.6
Stepped Pf		166¼	-¼	166½	170	2.3	–	–
HB Inc & Gwth Spl Inc.	☐	109	—	115	95	3.4	110.5	1.4
Zero Div Pf		118	-½	119	102	–	–	–
Henderson Eurotrust	♣v	92	—	104	80	4.9	131.6	30.1
Units		133	—	143	115	2.6	159.4	16.6
Zero Pf		43¼	—	43¼	35	–	–	–
Hong Kong		37½xd	-½	46	33	6.2	48.4	22.5
Warrants		10	—	24	15	–	–	–
Zero Div Pf		40½	—	40¾	37	–	–	–
ISS Optimum	♣†v	99½	—	100	78	10.6	108.2	8.0
Zero Div Pf		238	-½	246	217½	–	–	–
INVESCO Blue Chip	♣v	66	—	72	51	16.4	70.3	9.0
Zero Pf		183	+½	183	160½	–	–	–
INVESCO Recovery	♣	89	—	110	84	11.2	101.5	12.3
Pkl Growth		168	—	167	147½	–	–	–
Johnson Fry Euro	♣xv	83	—	94	81	6.7	99.1	16.2
Zero Pf		127½	—	128	108	–	–	–
Johnson Fry Second	♣†s	82xd	-1	89	82	9.1	82.2	0.2
Zero Div Pf		119	-½	119½	96¼	–	–	–
Johnson Fry Utils	♣†v	100xd	-1	111	89	9.7	103.1	3.0
Zero Pf		126½	—	127	106½	–	–	–
Jos Hidge Capital	♣v	118	—	118	95	–	240.6	93.5
Income	v	95	—	103	91	17.8	–	–
Zero Div Pf		147½	—	147½	120	–	–	–
Jove Inc.	♣†sv	59xd	—	65	59	12.9	–	–

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅛	—	£34	£29	2,109	2.6	15.7
Barlow	♣	£9¾	—	£9⅞	£4⅞	1,705	1.7	ϕ
Gold Flds Prop R		147xd	-5	182	118	15.0	7.2	6.7
NK Props.		88	—	95	85	3.46	13.7	–
SASOL	♥	475	-9	649	435	2,781	2.8	–
SA Brews		£21¼	-⅛	£21¾	£12⅞	6,083	1.6	28.9
Standard Bank	☐	£26⅜	-⅞	£27¼	£20½	3,227	1.7	18.8
Tiger Oats		1070	+10	1087	700	1,809	1.8	ϕ
Tongaat-Hulett	†	867	-10	897	635	809.4	2.2	17.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings"formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing November 23

Jupiter Tyndall (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710891

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

IRELAND (SIB RECOGNISED)

GT Asset Management - Contd.

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Co

DIT Dresdner Global Strategies Fund

Daiwa Europe Fund Managers Ireland

Dragon Korea Fund Plc

Dynamic Pacific Portfolio Fund Plc

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

IRELAND (REGULATED)(**)

Bank of Ireland Asset Mngmt - Contd.

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Foreign & Colonial Mngmt (Jersey) Ltd

DB Investment Management SA

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

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Citicorp Investment Mgmt (Luxembourg) SA

Citimarkets SA

Clan European Asset Value Fund

Clemente Korea Emerging Growth Fund

Credit Investment Funds

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Albany International Assurance Ltd

Royal Life International

Camco Investment Management Ltd

Capital International

Cathay Investment Fund Limited

Chameleon Funds Limited

Chescor Indian Investment Company Ltd

The China Fund

Global Asset Management - Contd.

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

MMC reference triggers late sell-off in equities

By Steve Thompson, UK Stock Market Editor

The UK equity market, already under pressure, suffered a severe blow at the end of the trading session with news that Mr Ian Lang, the trade and industry secretary, had referred takeover bids from the two English generators, National Power and PowerGen, for Southern and Midlands Electricity on competition grounds.

The news triggered a sharp sell-off across the electricity distribution stocks and the generators, and dragged the rest of the stock market down.

Some utilities specialists said that the referral of the generators' bids for the two recs might induce US utilities groups to bid for the two stocks. At the end of the session, the FT-SE 100 index, which includes the two generators as well as Southern and Midlands Electricity, was 29.9 lower at 3,602.5. The Footsie only just managed to escape sliding back below the 3,600 level.

The FT-SE Mid 250 index, which is packed with electricity stocks, also fell sharply, settling 15.3 down at 3,934.0.

The referral was not the only news in the utilities sector. At the outset of trading, Lyonnaise des Eaux, the French utilities company, finally launched its long awaited offer for Northumbrian Water, the first bid for a water group.

The terms of the offer, agreed by the Northumbrian board, saw the latter's shares race higher. The other substantial news in the sector came from North West Water, whose interim numbers topped most forecasts.

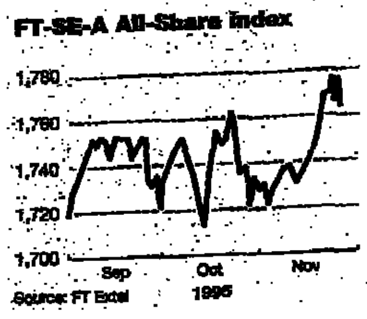
The day's drama was not exclusive to the utilities area. SBC Warburg, the securities house, launched a "dawn raid" on Amec, the construction and civil engineering group, snapping up a 10 per cent stake on behalf of Kvaerner, the Norwegian company. This triggered strong suggestions that a tussle for control of the UK group was under way. Earlier this week there were strong rumours of a merger between Amec and McAlpine, another UK construction group.

And there was no shortage of market moving stories elsewhere. British Gas rose against the trend after Mr Tim Eggar, energy minister, said North Sea producers should renegotiate their gas supply contracts with British Gas, a move interpreted by analysts as helping to get Gas "off the hook" from the loss-making contracts.

Other upside stories capturing the limelight included a strong rise in Legal & General, the insurance group, where talk of takeover moves revived. Storehouse featured with excellent interim figures.

Vodafone topped the FT-SE 100 performance league, rallying after recent selling from the US, while BT fell away amid hints of switching into other European telecoms.

Once again, there was exceptionally heavy trading across the board in equities, in spite of the absence of any US interest, where markets were closed for the Thanksgiving holiday. At 6pm turnover was 769.4m shares, below Wednesday's 937.5m and Tuesday's 909.9m, but still well above normal levels. Non-Footsie business accounted for 56 per cent of the total. Dealers said they expected the market to trade quietly until Tuesday's Budget.



FT-SE-A All-Share index

Source: FT Extel

Indices and ratios

FT-SE 100	3602.5	-29.9
FT-SE Mid 250	3934.0	-15.3
FT-SE-A 350	1788.3	-13.1
FT-SE-A All-Share	1764.38	-12.22
FT-SE-A All-Share yield	3.83	(3.80)

Best performing sectors

1 Bldg. & Construction .... +1.3
2 Extractive Industries .... +1.1
3 Water .... +0.4
4 Gas Distribution .... +0.4
5 Retailers, General .... +0.4

Worst performing sectors

1 Electricity
2 Distributors
3 Diversified Indls.
4 Banks, Retail
5 Chemicals

Utilities under pressure

News that the trade and industry secretary is to refer the bids by National Power and PowerGen for Southern Electricity and Midlands to the Monopolies and Mergers Commission sent regional electricity stocks plunging and also the market lower.

The late afternoon announcement was a shock to a sector that had expected the bids not to be referred.

The news brought a sharp decline in the stocks, with the biggest fall seen in Southern Electricity. Having dropped to a low of 900p, the shares steadied to finish 62 down at 913p after trade of 1.9m. Midlands was another stock that declined by more than 6 per cent, closing 59 off at 918p. PowerGen ended the session 21 cheaper at 540p, while National Power surrendered 16 to 478p.

One story doing the rounds is that the government move is a signal of its wish to see some recs remain independent, and one sector specialist said: "I cannot see why the government is doing this now, it must be political."

Several analysts pointed out that NatPower and PowerGen were keen to win control of the two recs. Mr Angelos Anastasiou at Panmure Gordon said: "This decision throws uncertainty into the marketplace for the next few months, but I do not see the two bidders walking away."

Another market specialist said: "This puts the billions due to come into the market as a result of these bids on hold."

In the rest of the sector, Yorkshire relinquished 45 to 871p, while London gave up 33 to 899p. Northern Ireland fell 25 to 445p and National Grid eased 4 to 224p.

Inchape worries

Rumours that international trading group Inchcape was preparing to make a statement to shareholders ran round the market yesterday following further heavy selling.

Worries about a dividend cut have sliced more than 20 per cent off the shares in five days trading and pushed Inchcape deep into the Footsie relegation zone. The stock closed 17½ lower at 239p yesterday in turnover of 11m.

Part of the recent volatility has been technical with marketmakers said to be long of stock. But there has also been signs of selling by the index tracking funds. The shares stood at 430p earlier this year.

Merrill Lynch analyst Mr Andrew Ripper said: "With earnings under pressure in the UK and Hong Kong, there is a 30 to 40 per cent chance of a dividend cut this year. But a cut is now factored into the share price. Buy recommendations may not be too far away."

Other motor distributors continued to be dragged lower.

Amec raided

A dawn raid by SBC Warburg on behalf of Norwegian group Kvaerner sent construction and engineering group Amec ahead 27 per cent.

The broker picked up 10 per cent of the company and the shares surged 17 to 95p in 34m traded. Late yesterday Kvaerner, a shipbuilding and energy business, claimed to control 12 per cent of Amec.

Amec, which is said to have an enviable operating reputation and strong road building and deep-sea rig expertise, is capitalised at £200m. Its name has recently been linked to Alfred McAlpine. The two groups are in the same roads consortium.

French construction giant Bouygues was put forward by some analysts as a potential suitor, but from the outset Kvearner was the hottest tip. The Norwegian group recently announced plans to move its sub-sea operations centre from Oslo to London.

The Amec move was seen by analysts as further evidence of consolidation among building related stocks. Taylow Woodrow gained 7½ at 114¼p.

The poor sentiment in the recs took the shine off a water sector that was celebrating the first bid for one of its number and favourable figures from another.

Northumbrian jumped 35 to 1169p after French group Lyonnaise des Eaux finally made its long awaited agreed offer for the UK company. The 1,823m bid values each Northumbrian share at 1179p, of which 1165p is in cash and 14p is a special dividend.

Ms Angela Whelan at Credit Lyonnais Laing said: "The board of Northumbrian has done well for its shareholders, but this is unlikely to lead to a frenzy of bids in the sector as there are fewer potential bidders for water companies."

North West, which reported a sharp increase in both interim profits and the dividend, was among the few stocks in the sector that moved forward. The shares appreciated 4 to 609p.

Multimedia group Dorling Kindersley moved ahead strongly, after the 17.9 per cent stake previously owned by Microsoft was placed with institutions by Goldman Sachs and Cazenove at 507p. The shares closed 24 higher at 528p in 2lm traded.

Paper and foils group API rose 15 to 537p after recent presentations to institutions.

British Gas was actively traded following Wednesday's speech by Mr Tim Eggar, the UK energy minister. Up 3½ at one stage, the shares closed a penny better at 236¼p in turnover of 25m which dealers described as hectic and distinctly two-way.

Analysts interpreted the latest government comments on Gas's problems over North Sea supply contracts – the group has long term commitments to pay up to 20p a therm for gas that has an open market price of less than 15p – as mildly positive.

"The government is seemingly determined to get some sort of deal under way and stop Gas's difficulties from washing over on to the consumer. But there is still a long way to go," said one sector watcher.

Leading diversified industrial BTR came off 5 to 327p in spite of persistent talk of a significant disposal by the group. New chief executive Mr Ian Strachan takes up the cudgels on January 1, and some brokers are betting on a £300m construction-related sale early in the new year.

Powell Duffryn was undisputed backmarker among FT-SE Mid 250 stocks, plunging 74½ to 480½p as analysts reacted to the group's dire interim results with savage downgrades. Kleinwort Benson cut back by £6m to £44m for this year. The broker felt that a maintained 25p dividend looked safe enough, but it remained a seller and predicted further share price weakness.

In retailers, analysts moved to upgrade full-year profits expectations at Storehouse after the group reported a sparkling set of interim figures. The shares put on 10 at 332p in trade of 2m. BZW was said to have raised its forecast by £5m to £115m.

In insurance stocks, life group Legal & General was the subject of bid talk, with National Westminster mentioned as its likely suitor. L&G gained 11 to 706p, and NatWest fell 15 to 677p on the speculation and general profit-taking in the sector.

Bid whispers were also heard in Commercial Union, which moved forward 8 to 643p.

MARKET REPORTERS:
Joel Kibazo,
Jeffrey Brown.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High
Dec	3643.0	3610.0	-34.0	3643.0
Mar	3663.0	3634.0	-33.5	3663.0
Jun		3640.0	-34.0	

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change
Dec		3950.0	-20.0
Mar		3995.0	-20.0

■ FT-SE 100 INDEX OPTION (LIFFE) (*3602) £10 per full index point

Calls 1,297 Puts 7,828

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P
Dec	189	5	143	8½	101	16½	64	29
Jan	211	20	170½	28	133	41	98½	57
Feb	228½	23½	187½	34	152½	48	121½	66
Mar	244	39½			178½	64		
Jun†	280	73½			215½	105		

Calls 799 Puts 1,036 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

FINANCIAL TIMES EQUITY INDICES

	Nov 23	Nov 22	Nov 21	Nov 20	Nov 17	Yr ago	*High	*Low
Ordinary Share	2639.2	2656.8	2615.9	2647.8	2638.9	2326.9	2666.5	2238.3
Ord. div. yield	4.08	4.05	4.10	4.05	4.06	4.48	4.73	4.02
P/E ratio net	15.65	15.71	15.65	15.85	15.89	17.47	21.33	15.35
P/E ratio nil	15.56	15.61	15.49	15.69	15.72	17.06	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2659.8	2655.0	2651.1	2649.4	2647.1	2645.5	2641.8	2641.5	2638.3	2659.8	2637.5

	Nov 23	Nov 22	Nov 21	Nov 20	Nov 17	Yr ago
SEAQ bargains	29,993	32,092	30,881	34,277	35,303	22,386
Equity turnover (£m)†	-	2277.3	2190.0	1671.6	1621.0	1306.5
Equity bargains†	-	38,070	37,524	40,853	41,903	27,247
Shares traded (ml)†	-	866.2	760.3	621.0	620.8	539.5

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	397	Total Highs	104	Total contracts	24,938
Total Falls	820	Total Lows	50	Calls	11,149
Same	1,658			Puts	13,789

Nov. 23 *Data based on Equity shares listed on the London Share Service.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smlr	92		-	-	-	-
-	F.P.	2.24	33	32	Do Warrants	32		-	-	-	-
-	F.P.	2.13	10	9	†Arlon Props	9		v-	-	-	-
306	F.P.	48.6	301	285	BZW Eqs Bermuda	287		v-	-	-	-
-	F.P.	61.8	103	101	Benfield & Rea	103	+1	-	-	-	-
-	F.P.	5.76	64	50	†Chartwell Intl	64		v-	-	-	-
-	F.P.	44.5	139	102	†Creos Intl	124		-	-	-	-
60	F.P.	3.68	71	65	†David Glass	68	+2	Fx2.88	2.4	5.3	9.7
145	F.P.	59.9	152	142½	Enterprise Inns	148		Wv6.4	-	5.4	10.3
-	F.P.	92.0	95	90	Guinness Flight	92		-	-	-	-
-	F.P.	192.0	195	191	Do Units	192		-	-	-	-
-	F.P.	2.00	13	10	Do Warrants	10		-	-	-	-
125	F.P.	28.3	158	128	Heritage Bath	158		-	-	-	-
-	F.P.	25.4	121	97	Hoare Govett St C	97½		-	-	-	-
-	F.P.	-	94½	93½	Martin Currie Jp	94½		-	-	-	-
-	F.P.	-	33	31½	Do Warrants	31½		-	-	-	-
-	F.P.	14.1	101	97	Northern Venture	97		-	-	-	-
100	F.P.	24.8	102	99	Perpetual UK Smlr	99		-	-	-	-
-	F.P.	-	125	125	Premium Undrtg C	125		-	-	-	-
-	F.P.	135.1	98	95	Schroder Asia Pc	96½	-½	-	-	-	-
-	F.P.	-	198	173	Tom Cobleigh	191		uv-	-	-	-
-	F.P.	163.0	280	263	Vero Group	269	+2½	RWv5.1	1.8	2.4	29.8

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 22	% chg on day	Nov 21	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1845.86	-1.2	1869.09	1948.94	1.93	-	2083.66	1637.91
■ Regional Indices								
Africa (16)	2434.41	-2.4	2493.38	3235.86	4.10	21.14	3235.66	2272.74
Australasia (6)	2324.21	-0.3	2330.21	2521.29	2.13	26.23	2607.57	1786.20
North America (12)	1612.25	-0.9	1626.95	1481.15	0.83	46.30	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Nov 23	Day's chge%	Nov 22	Nov 21	Nov 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3602.5	-0.8	3632.4	3604.1	3626.8	3036.6	3.97	2.09	15.03	132.82	1431.94
FT-SE Mid 250	3934.0	-0.4	3949.3	3941.2	3966.8	3481.2	3.49	1.85	19.33	134.37	1537.42
FT-SE Mid 250 ex Inv Trusts	3954.1	-0.4	3969.4	3962.0	3990.5	3483.5	3.62	1.91	18.03	141.07	1545.64
FT-SE-A 350	1788.3	-0.7	1801.4	1789.6	1801.8	1524.0	3.87	2.05	15.80	64.84	1453.38
FT-SE-A 350 Higher Yield	1788.2	-1.0	1806.2	1789.7	1798.0	1522.6	4.87	1.84	13.94	80.22	1205.23
FT-SE-A 350 Lower Yield	1793.0	-0.4	1801.1	1794.1	1810.2	1485.6	2.83	2.41	18.32	48.21	1217.32
FT-SE SmallCap	1949.28	-0.2	1952.56	1951.35	1953.73	1763.25	3.33	1.70	22.10	56.99	1571.77
FT-SE SmallCap ex Inv Trusts	1931.86	-0.2	1935.40	1935.47	1937.88	1738.42	3.56	1.77	19.78	60.06	1586.13
FT-SE-A ALL-SHARE	1764.38	-0.7	1776.60	1765.73	1776.97	1510.28	3.83	2.02	16.13	63.03	1457.31

■ FT-SE Actuaries All-Share

	Nov 23	Day's chge%	Nov 22	Nov 21	Nov 20	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3068.52	-0.5	3083.35	3050.97	3045.26	2651.26	3.82	2.02	16.22	116.67	1291.24
12 Extractive Industries(7)	4251.20	+1.1	4206.94	4176.63	4174.79	3753.45	3.49	2.51	14.31	143.77	1218.91
15 Oil, Integrated(3)	3082.97	-0.8	3108.63	3071.35	3082.47	2621.78	3.99	1.98	16.01	123.19	1329.93
16 Oil Exploration & Prod(13)	1897.53	-0.3	1902.83	1897.91	1912.17	1848.32	2.65	1.49	31.59	49.88	1126.31
20 GEN INDUSTRIALS(277)	1929.62	-0.7	1944.05	1939.95	1965.85	1842.58	4.30	1.89	15.40	75.01	1032.20
21 Building & Construction(38)	997.48	+1.3	984.46	989.49	994.17	1021.99	4.02	2.02	15.40	38.19	820.09
22 Building Matls & Merchs(31)	1753.95	-0.4	1760.45	1763.19	1797.81	1823.80	4.24	2.03	14.52	67.09	867.25
23 Chemicals(23)	2309.12	-1.5	2344.93	2321.28	2366.81	2242.70	4.25	1.87	15.74	91.19	1073.21
24 Diversified Industrials(20)	1746.75	-1.7	1777.76	1777.38	1785.12	1726.59	5.68	1.56	14.08	87.44	949.26
25 Electronic & Elect Equip(36)	2107.39	-1.3	2134.49	2138.03	2159.32	1834.73	3.56	1.96	17.73	61.70	1073.99
26 Engineering(66)	2156.99	+0.1	2153.77	2148.24	2152.47	1803.14	3.48	2.27	15.83	70.58	1288.93
27 Engineering, Vehicles(13)	2561.84	-0.5	2573.90	2543.59	2570.05	2300.48	3.66	1.17	29.29	93.56	1305.19
28 Paper, Pckg & Printing(27)	2493.53	.....	2493.13	2478.36	2507.26	2787.59	4.02	2.50	12.46	89.95	1018.67
29 Textiles & Apparel(21)	1462.46	-0.4	1467.84	1472.71	1507.55	1559.78	4.92	1.83	13.91	66.68	874.00
30 CONSUMER GOODS(89)	3530.13	-0.7	3553.27	3539.28	3569.46	2726.66	3.81	1.79	18.32	124.75	1277.20
31 Breweries(17)	2740.00	-0.6	2755.53	2734.97	2728.91	2179.79	3.67	1.95	17.41	68.42	1284.42
32 Spirits, Wines & Ciders(9)	2755.36	-0.6	2770.74	2794.32	2830.65	2732.30	4.35	1.63	17.64	107.13	968.90
33 Food Producers(24)	2492.41	.....	2491.41	2482.92	2500.70	2261.34	4.03	1.85	16.79	92.00	1101.36
34 Household Goods(11)	2548.82	-0.3	2557.29	2521.30	2542.25	2313.89	3.75	2.13	15.63	90.95	956.99
36 Health Care(17)	1953.36	-0.3	1958.73	1946.00	1959.55	1586.19	2.87	1.81	25.85	48.10	1171.62
37 Pharmaceuticals(10)	4948.13	-1.0	4998.26	4988.34	5068.32	3076.93	3.33	1.70	22.03	162.31	1652.62
38 Tobacco(1)	4853.81	-1.0	4904.64	4786.05	4728.75	3720.56	4.94	1.94	13.02	229.23	1174.28
40 SERVICES(226)	2176.07	-0.1	2177.27	2165.46	2180.92	1899.21	3.09	2.11	19.16	64.99	1113.69
41 Distributors(30)	2489.41	-2.1	2543.87	2573.83	2609.87	2527.85	4.03	1.77	17.48	94.66	903.53
42 Leisure & Hotels(29)	2569.40	+0.1	2566.42	2504.23	2502.71	2056.46	3.16	1.94	20.41	73.67	1316.12
43 Media(43)	3498.78	.....	3495.73	3496.77	3521.46	2843.13	2.09	2.37	25.21	78.06	1250.22
44 Retailers, Food(16)	1859.71	.....	1859.57	1856.43	1898.47	1739.62	3.90	2.40	13.35	65.37	1160.27
45 Retailers, General(44)	1860.53	+0.4	1853.40	1842.35	1845.81	1595.86	3.18	2.27	17.29	57.78	1047.80
48 Support Services(37)	1852.10	-1.0	1870.76	1858.13	1871.34	1512.59	2.49	2.52	19.95	41.58	1163.59
49 Transport(20)	2191.30	-0.1	2194.48	2188.87	2207.56	2244.31	3.98	1.30	24.12	86.39	899.88
51 Other Services & Business(7)	1149.43	-1.0	1161.45	1161.25	1162.36	1251.31	4.56	1.41	19.43	43.10	1033.25
60 UTILITIES(36)	2452.30	-1.5	2488.78	2482.38	2484.86	2334.07	4.78	2.08	12.73	104.72	1005.51
62 Electricity(13)	2790.08	-3.2	2881.64	2883.82	2898.70	2454.80	4.16	2.81	10.71	143.97	1253.39
64 Gas Distribution(2)	1570.15	+0.4	1563.76	1582.85	1579.75	1967.42	7.63	1.04	15.74	119.82	787.77
66 Telecommunications(7)	1987.96	-1.4	2016.75	2009.05	2006.05	1925.36	4.25	1.74	16.89	51.48	884.20
68 Water(13)	2138.22	+0.4	2129.06	2097.73	2099.43	1779.75	5.43	2.72	8.45	97.82	1143.53
69 NON-FINANCIALS(660)	1859.52	-0.6	1871.13	1862.84	1875.88	1690.37	3.86	1.95	16.47	67.39	1380.20
70 FINANCIALS(113)	2852.09	-1.0	2882.01	2841.65	2855.82	2150.07	3.91	2.44	13.12	104.67	1191.33
71 Banks, Retail(9)	4023.65	-1.7	4091.98	4024.46	4032.46	2848.95	3.62	2.81	12.30	140.81	1269.06
72 Banks, Merchant(6)	3543.67	-0.1	3546.28	3550.23	3581.58	2788.99	2.82	2.43	18.66	86.34	1106.23
73 Insurance(25)	1423.31	+0.2	1420.24	1387.71	1409.98	1210.46	5.17	2.68	9.02	72.93	1042.66
74 Life Assurance(6)	3459.06	-0.1	3462.98	3421.90	3449.65	2312.86	4.03	1.53	20.20	136.72	1409.23
77 Other Financial(22)	2403.09	-0.4	2412.51	2413.44	2420.33	1844.27	3.72	1.92	17.45	85.66	1340.46
79 Property(45)	1390.87	-0.3	1395.51	1391.06	1403.14	1404.36	4.47	1.33	20.96	46.69	834.93
80 INVESTMENT TRUSTS(136)	2954.56	-0.4	2966.79	2958.04	2954.77	2694.45	2.26	1.05	52.47	57.42	1019.24
89 FT-SE-A ALL-SHARE(896)	1764.38	-0.7	1776.60	1765.73	1776.97	1510.28	3.83	2.02	16.13	63.03	1457.31
FT-SE-A Fledgling	1095.36	.....	1095.10	1094.21	1095.81	-	2.83	1.34	33.08	30.27	1128.47
FT-SE-A Fledgling ex Inv Trusts	1097.16	.....	1096.85	1096.07	1097.80	-	2.96	1.40	30.13	29.14	1129.31

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3633.6	3627.6	3621.8	3618.8	3617.8	3615.2	3610.6	3611.0	3602.0	3634.3	3600.1
FT-SE Mid 250	3950.3	3949.9	3940.3	3945.3	3944.5	3942.3	3940.7	3940.9	3934.6	3951.8	3933.6
FT-SE-A 350	1802.1	1799.6	1797.3	1795.8	1795.3	1794.1	1792.2	1792.3	1788.2	1802.3	1787.6

Time of FT-SE 100 Day's high: 8.36am Day's low: 3.52pm. FT-SE 100 1995 High: 3632.4(22/11) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	971.5	974.2	980.3	979.9	982.1	982.6	982.3	982.7	981.8	981.8	971.4	+10.4

TRADING VOLUME

■ Major Stocks Yesterday

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 23 / Sch)

		+/-	High	Low	Yld	P/E
AusAir	1,879	-1	2,066	1,825	3.0	—
BkAust	825	—	892	702	1.2	—
BkAuPf	471	-2	528	430	2.1	—
BUAG	699	-1	758	559	—	—
BrauUn	481	+8	719	460	—	—
Credit	540	-3	651	479	1.9	—
CredPf	509	-7	637	460	2.0	—
EA Gen	2,895	-10	3,336	2,480	0.5	—
EVN	1,336	+6	1,430	1,045	1.7	—
Jenbac	1,580	-4	1,900	1,385	6.3	—
Lenzing	817	—	988	762	1.2	—
Leykam	394	+1	505	350	2.5	—
OMV	870	-11	1,139	800	1.7	—
Oest B	452	-1	612	443	3.3	—
PerlZm	828	—	920	700	2.4	—
RadexH	288	-1	410	289	3.5	—
SteyrD	172	-1	200	136	3.5	—
Univ B	480	—	727	380	—	—
VA Tec	1,094	+13	1,283	973	2.2	—
VeitMg	210.60	-.50	337	200	2.9	—
VoeBrA	605	-9	745	582	2.8	—
WolAir	646	-2	674	421	1.2	—
VA Stl	282	-1	331	277	—	—
Wienbg	1,980	-35	2,718	1,850	2.1	—

BELGIUM/LUXEMBOURG (Nov 23 / Frs.)

CZECH REP (Nov 23 / Koruna)

DENMARK (Nov 23 / Kr)

FINLAND (Nov 23 / Mkka)

FRANCE (Nov 23 / Frs.)

GREECE (Nov 23 / Drachma)

ITALY (Nov 23 / Lire)

NORWAY (Nov 23 / Kroner)

POLAND (Nov 23 / Zloty)

PORTUGAL (Nov 23 / Escudo)

SPAIN (Nov 23 / Pta.)

NETHERLANDS (Nov 23 / Fls.)

GERMANY (Nov 23 / Dm.)

SWEDEN (Nov 23 / Kronor)

SWITZERLAND (Nov 23 / Frs.)

TURKEY (Nov 23 / Tk Lira)

PACIFIC

JAPAN (Nov 22 / Yen)

HONG KONG (Nov 23 / H.K.$)

INDONESIA (Nov 23 / Rupiah)

MALAYSIA (Nov 23 / MYR)

NEW ZEALAND (Nov 23 / NZ $)

SINGAPORE (Nov 23 / S$)

AUSTRALIA (Nov 23 / Aust$)

SOUTH KOREA (Nov 23 / Won)

TAIWAN (Nov 23 / TW $)

THAILAND (Nov 23 / Baht)

		+/-	High	Low	Yld	P/E
AdvInf	402	-8	422	284	..	
BgkBnk	256	-4	308	193	—	
BgkLnd	35	+2.75	82.50	28.50	1.4	...
DhSiam	118	.	200	76.50		...
FinOne	140	-3	178	99	2.5	...
KrThBk	93.50	-3	111	68.50	...	...
LndHou	358		558	300	1.4	
PhTban	210	+6	254	138	...	...
SiamCm	1,318	+6	1,789	1,189	—	...
SiamCi	372	-8	446	329	..	.
SiamCB	296	-4	328	181	—	.
TeleAs	74.50	-2.50	89	68	...	..
ThaiFm	222	+8	280	173	3.0	..

NORTH AMERICA

CANADA

TORONTO (Nov 23 / Can $)

4 pm close

Sales			+/-	High	Low
41698	Abitib	22¼	+⅛	32¼	22½
16818	AgniEag	18½		51⅝	18¼
299070	AirCda	460	-5	465	0460
101205	AlbtaE	22¼	+⅜	22¼	21⅞
2760	AlbNIG	18⅛	-⅛	19¼	18⅛
504136	AlcnAl x	46⅛	+⅛	46⅝	45¼
2200	AlcoCl	17½		17½	17½
72490	Avenor	28⅞	-⅛	27	28¼
6218	BCSugA	8⅝		8¼	8¼
20184	BC Tel	23¼	-⅛	24	23¼
378948	BCE	44⅞	+⅛	45⅜	44⅞
4328	BCE Mb	42½	+¼	42½	42½
4900	BGR A	13⅝		13⅝	13¼
370047	BkMont	30⅝	+⅛	30¾	30½
487517	BkNovS	29¼		29⅝	29⅜
132292	BrckGd	35	+⅛	35	34⅞
46211	BeauEx	150	+5	150	145
11850	BombA	17⅞	+⅛	18	17⅞

MONTREAL (Nov 23 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Nov 23 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

US INDICES

Dow Jones	Nov 22	Nov 21	Nov 20	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5041.61	5023.55	4983.09	5041.61 (22/11)	3832.08 (30/1)	5041.61 (22/11/95)	41.22 (2/7/32)
Home Bonds	104.54	104.49	104.45	104.54 (22/11)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2031.44	1999.44	2005.63	2031.44 (22/11)	1473.19 (3/1)	2031.44 (22/11/95)	12.32 (8/7/32)
Utilities	214.08	215.90	215.00	219.09 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5096.17 (5060.28) Low 4982.72 (4948.04) (Theoretical‡)
Day's high 5067.26 (5023.91) Low 5018.49 (4976.84) (Actual‡)

Standard and Poors	Nov 22	Nov 21	Nov 20	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	598.40	600.24	596.85	600.24 (21/11)	459.11 (3/1)	600.24 (21/11/95)	4.40 (1/6/32)
Industrials♥	703.74	705.98	702.29	705.98 (21/11)	546.28 (3/1)	705.98 (21/11/95)	3.62 (21/6/32)
Financial	60.27	60.29	59.85	61.39 (18/10)	41.64 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	319.71	320.23	318.92	320.23 (21/11)	250.73 (3/1)	320.23 (21/11/95)	4.46 (25/4/42)
Amex Mkt Val	528.33	528.55	531.59	559.58 (12/9)	403.12 (6/1)	559.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1021.24	1024.99	1029.47	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Nov 17	Nov 10	Nov 3	Year ago
Dow Jones Ind. Div. Yield	2.35	2.39	2.41	2.79
	Nov 15	Nov 8	Nov 1	Year ago
S & P Ind. Div. yield	2.08	2.04	2.07	2.38
S & P Ind. P/E ratio	18.37	18.23	17.99	19.03

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Vodafone	17,288,800	33⅜	-¼
Micron Tech	9,943,000	47⅜	-2⅝
Telefonos	8,899,500	30	+1¼
Times Mirror	7,883,700	30¾	+⅛
Motorola	5,866,800	60	-1⅛
Texas Insts	4,941,100	52½	-2½
Ford Motor	4,914,900	29	——
Gen Motors	3,757,000	50	+1
Newbridge Nt	3,344,900	41¼	+3⅝
Grupo Tlvs	3,278,300	19¼	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Nov 22	Nov 21	Nov 20
New York SE	407.153	408.298	333.119
Amex	16.115	17.073	13.867
NASDAQ	429.902	548.585	451.355
NYSE			
Issues Traded	3,084	3,086	3,070
Rises	1,181	1,287	1,012
Falls	1,104	1,035	1,287
Unchanged	789	764	791
New Highs	142	130	135
New Lows	22	43	38

INDEX FUTURES

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 22, 1995

	Stocks Traded	Closing Prices	Change on day
NKK Corp	15.0m	281	-4
Nippon Steel Corp	8.5m	352	-10
Toho Zinc Co	8.4m	670	+26
Toray Inds	7.1m	680	+19
Sumitomo Mtl Ind	5.3m	309	-4
Mitsubishi Hvy	5.3m	808	-12
Mitsui Eng & Bldg	5.2m	265	-5
Kobe Steel	4.6m	286	-6
Kawasaki Steel	4.4m	388	-5
Fudo Const	4.4m	1090	+60

EUROPE

Frankfurt copes with its bunds, $ dilemma

Senior bourses seemed rangebound and uninspired in the absence of Wall Street. The weaker dollar and stronger bonds left **FRANKFURT** in a dilemma, which it solved by marking up banks and utilities and selling mostly cyclicals, as a rangebound Dax wobbled to an Ibis-indicated close of 2,197.26, up 2.73. Turnover came to DM5.5bn.

Automotive analysts could offer no other, more specific, reason why BMW, Volkswagen prefs and MAN closed Ibis trading with falls of 1.6 per cent, 1 per cent and 0.9 per cent respectively. But with a retailer (Douglas), a software producer (SAP), Deutsche Bank, Lufthansa and Adidas leading the winners' list, the contrast was fairly clear.

At least, one second liner produced results without being savaged. Plettac, which manufactures scaffolding and sheds, forecast a significant increase in 1995 profits and saw its shares rise DM6 to DM345.

Neither **PARIS** nor **MADRID** realised Wednesday's hopes that the Banks of France and Spain would cut key interest rates yesterday. The French combined disappointment and the dollar effect with some profit-taking and the CAC-40 index fell 8.36 to 1,867.11; but Spanish equities built on to Wednesday's 1.5 per cent bounce, and the general index rose a token 0.69 to 308.61.

Turnover increased in both cases, to FFr3bn and to Pta51.76bn. For Madrid, this was the second highest figure this year; traders said it was due to the influx of fresh money into the market.

French automotive stocks offered a clue to the weakness in their German competitors. Peugeot fell FFr14 to FFr675 and Renault FFr3.30 to FFr157.90, and there were reports of a decline in early November car sales – about 15 per cent, according to industry sources.

However, Paris liked the near FFr10bn rise to FFr60bn at Pechiney, the aluminium and packaging based group, described as reasonably good in the run-up to privatisation. Pechiney certificates gained FFr3.70 at FFr208.70.

ZURICH gathered pace during the second half of the session to close at a second consecutive all-time high, with the SMI index rising 8.2 to 3,209.2.

A firmer bond market supported banks with UBS up SFr12 to SFr1,250 and CS Holding recouping 25 centimes of recent losses to SFr115.

Nestlé extended Wednesday's decline, losing SFr12 to SFr1,208 and reflecting worries about the profits outlook, and disappointment that senior management changes would be delayed until 1997.

Swiss Re picked up SFr18 to SFr1,281 on growing expectations that the company would have positive news for the annual shareholders' meeting today.

Alusuisse lost SFr12 at SFr937 on rumours that one bank had issued a sell recommendation.

MILAN's Comit index edged just 0.29 higher to 569.95 while the real-time Mibtel index gave up 44 to 9,037. Turnover was estimated at a weak L303bn.

Ferruzzi, L16 lower at L1,132, remained at the centre of attention as San Paolo and Monte dei Paschi di Siena both said that they would not join the consortium supporting the Mediobanca-drafted capital increase plan. San Paolo lost L52 to L8,888.

IMI fell L260 to L9,167 as the medium term credit institute said that it did not intend to sell Banca Fideuram to raise money to launch a public buy offer for Ferruzzi. Fideuram, which rose 1.4 per cent on Wednesday, slid L37 to L1,717.

Ina picked up L10 to L1,962, off a high of L1,990, after the insurer's board announced a stock buyback plan late on Wednesday.

Burgo, the paper maker, jumped L284 to L7,783 on signs of weaker pulp prices and evidence of some switching from publishing to paper stocks.

AMSTERDAM saw more resignations at the paper maker and office supplies group, KNP BT, but it said that the moves were in accordance with agreements reached at the time of the merger of KNP, BT and VRG three years ago, and that there were no major crises at the top.The shares rallied Fl 1.50 to Fl 40.30.

The AEX index rose 1.82 to 463.99. Stork, the industrial systems and services group, rose Fl 2.10, or 5.8 per cent to Fl 38.30 as it said that, in addition to volume growth, margins on its service activities had begun to recover in the second half of 1995.

HELSINKI hurdled a flat Nokia share price with a 2.6 per cent gain in the forestry sector, helped by a report from the industry federation. The Hex index rose 16.33 to 1,830.09.

VIENNA heard the cardboard maker, Mayr-Melnhof, down from a high of Sch685, say that it would produce higher 1995 turnover and profits in spite of a weaker performance in the second half of this year, and dropped the shares Sch23 more to a new year's low of Sch480. The ATX index fell 6.82 to 923.54.

ATHENS gave more weight to positive EU comments on the economy than to the illness of the Greek premier, Mr Andreas Papandreou, and the general share index recovered another 14.04, or 1.6 per cent to 880.33.

Written and edited by William Cochrane and Michael Morgan

Wall Street and Tokyo were closed for public holidays

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Nov 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1443.75	1443.35	1443.59	1443.86	1443.68	1444.63	1444.32	1444.17
FT-SE Eurotrack 200	1553.80	1553.06	1552.78	1553.70	1553.40	1550.12	1550.18	1549.58
		Nov 22	Nov 21	Nov 20	Nov 17	Nov 16		
FT-SE Eurotrack 100		1441.45	1440.08	1446.56	1432.65	1432.37		
FT-SE Eurotrack 200		1552.90	1547.28	1552.88	1541.25	1542.61		

Base 1000 (26/10/90). High/day: 100 - 1445.10; 200 - 1554.55 Low/day: 100 - 1443.14 200 - 1547.71 † Partial

Toronto moves ahead

Toronto overcame early weakness to trade higher at midday, but activity was muted in the absence of a lead from Wall Street. The TSE 300 Composite index was 11.07 higher by noon at 4,689.92 in light volume of just 21.6m shares.

Cott, the beverage maker, was among the biggest losers, falling C$2¾ to C$7¾ after forecasting a third-quarter loss, excluding a restructuring provision, of about C$3.5m.

Newbridge Networks, the computer networking company, lost C$1¼ to C$55 in spite of winning upgrades from two US analysts.

Latin America

Buenos Aires overcame early weakness to maintain the rally of the previous six sessions in lunchtime trade when the Merval index registered a rise of 2.09 at 447.35.

Analysts have attributed the 13 per cent rally since Wednesday of last week to renewed confidence in a new government state reform drive.

SAO PAULO also turned higher after an early bout of profit-taking and the Bovespa index was 294.28 ahead at 41,352 in early afternoon trade.

MEXICO CITY continued its fledgling rebound after two months of heavy selling and the IPC index was 21.17 higher at 2,555.86 in midday trading.

SOUTH AFRICA

Johannesburg recovered slightly from an early slide but still closed the day weaker, with trade weighed down by a depressed futures market.

Golds fell sharply in the morning on the lower bullion price, but levelled off at noon as the gold price picked up, while industrials were led down by futures.

The overall index was 47.7 off at 5,987.1, industrials slipped 52.3 to 7,594.8 and golds lost 37.1 at 1,287.5.

Vaal Reefs, the blue chip gold producer, slid R10 to R220 and Kloof receded 75 cents to R36.25. Among banks, Absa lost 60 cents at R18.50 and SBIC fell R2 to R153.

Bombay on the slippery slope

Mark Nicholson reports on the market's four-week slide that has defied good economic fundamentals and strong corporate results

Bombay's already bearish sentiment turned sharply worse yesterday as sustained selling in a thin market pushed the 30-share Bombay Sensex index down 57.34 or 1.9 per cent to finish at 2,944, piercing the psychologically important 3,000-point level.

The drop continues a steep four-week slide during which market sentiment has stubbornly defied good economic fundamentals and strong half-year returns from some of India's biggest companies.

The fall in the BSE index took it to new two-year lows, with many Bombay analysts now seeing a further weakening in prospect.

"There is a crisis of confidence," said an analyst with one of the biggest foreign brokerages on the Bombay exchange. "Good results are being ignored, and while prices look attractive there are no buyers because no-one can see a trigger point for a rally." Analysts believe that the market could sink to between 2,400 and 2,700.

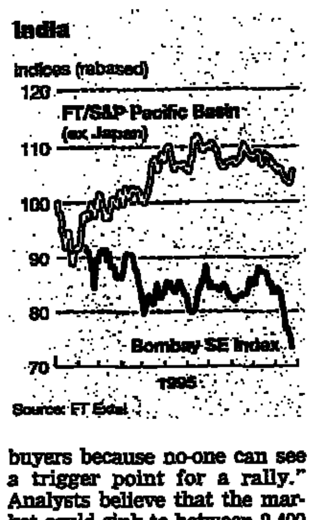
Brokers and analysts say that the most recent fall, which has sliced 500 points off the Sensex in four weeks, has been sparked by tight liquidity in the financial markets after central bank intervention to shore up the currency sucked up rupees and forced bank call rates higher. These have exceeded 100 per cent at times in the last four weeks, and while they have fallen back, they have diverted domestic investors from equities.

Recent rises in bank lending rates have also hurt the outlook for industry, while the rupee's softness has stalled what had been a recent recovery in flows from foreign institutional investors, to which the Bombay market tends to look for a lead.

"There is just a broad-brush frustration and dissatisfaction with India at the moment," said one foreign investor, who added that the market, though cheap and selling at a prospective p/e ratio below 10 market-wide, was consistently ignoring good corporate figures.

An example yesterday was Tata Iron and Steel Company, India's biggest private steel-maker, which slid Rs10.4 to Rs211.60 in spite of reporting a 132 per cent rise in first-half net earnings. The market's recent fall compounds the year's prevalent bearishness, exacerbated by political uncertainty before next spring's general elections and a series of technical factors.

And while brokers say that with volumes so low – in the last few weeks running at $30m to $40m daily, half that of a few months ago – the market could respond strongly to even modest new buying interest, few can foresee any news over the next few weeks that is likely to inspire fresh buyers. "It is a classic bear market," said one. "Good results, good fundamentals – none of them seem to matter a damn."



ASIA PACIFIC

Fresh buying lifts Manila by 2.3%

Renewed buying across the board pushed **MANILA** sharply higher for the third consecutive session, taking the composite index up 51.02 or 2.3 per cent to 2,319.35.

Fil-Estate Land was the most heavily dealt stock as it advanced 2.6 per cent on its first day of trade, closing at 20.00 pesos from its offer price of 19.50 pesos.

Heavy market turnover of 3.2bn pesos was attributed to a series of special block sales in Fil-Estate.

BANGKOK fell 1.1 per cent after investors sold finance and communication blue chips on news that a major bank had raised its prime lending rate. The SET index ended 13.12 lower at 1,212.95 in moderate turnover of Bt4.2bn.

TAIPEI was sharply weaker, but off lows, on rumours that China planned to conduct a military exercise in the Taiwan Straits near the island. The weighted index lost 54.44 or 1.2 per cent at 4,574.83 in turnover that expanded to T$20.2bn.

High-priced electronics fell by 1.7 per cent, with Acer down T$2 to T$57.50, while textiles retreated 1.5 per cent after their recent rebound.

HONG KONG edged ahead in quiet trade, lacking inspiration in the absence of Tokyo and New York. The Hang Seng index finished 4.06 higher at 9,505.67 after being hemmed inside an 80-point range. Turnover fell to HK$3.1bn.

China Light gained 50 cents at HK$36.10 after a recent sell-off by investment funds.

The H share index of the 17 mainland China companies continued its technical rebound, jumping 27.98 or 3.9 per cent to 754.90.

SINGAPORE succumbed to late profit-taking which left the Straits Times Industrial index down 4.66 at 2,102.56, off a day's high of 2,114.44, with much of the day's attention focused on Malaysian second and third line stocks.

KUALA LUMPUR turned back from a firm start as profit-taking accelerated in the afternoon, leaving the composite index 5.97 weaker at 929.03, having risen 41.20 points over the previous two days.

The newspaper group Star Publications made a shining debut, ending at M$4.74, against its offer price of M$3.10 and off an early M$5.35.

SEOUL closed higher in relatively brisk demand for blue chips which took the composite index 11.54 ahead to 932.57.

Brokers said sentiment appeared to have improved, with some investors cautiously optimistic that ex-president Roh Tae-woo's slush fund scandal would soon be resolved. Blue chip Samsung Electronics rose Won2,500 to Won148,000.

SYDNEY edged ahead in quiet trade and the All Ordinaries index picked up 3.1 to 2,150.7, but metal shares were weak after precious metal and bullion prices fell overnight.

BTR Nylex was steady at A$3.62 after the company said shareholders had "effectively approved" the acquisition of a 37 per cent stake by BTR.

WELLINGTON ended flat on high turnover, with Brierley Investments at the centre of attention after Granada's hostile bid for Forte in the UK. The NZSE-40 Capital index fell 3.11 points to 2,140.10 in much improved trade of NZ$64.7m.

Brokers drew close parallels between Forte and BIL's biggest single investment, the UK hotels group Mt Charlotte, prompting a re-evaluation of BIL's investment in the group. BIL put on 5 cents at NZ$1.17.

JAKARTA was fuelled by active foreign buying in large-capitalised stocks and the composite index rose 10.86 or 2.4 per cent to close at 469.61. Telkom, the most active issue, climbed Rp150 to Rp2,325. Brokers said rises in the Telkom price overnight in London and New York had given a boost to market sentiment, which spilled over to other big capitalised issues.

KARACHI hit another low for the year on news of the killing of the brother of the Sindh province chief minister and two other people in an ambush and a bomb blast.

The KSE 100-share index declined 8.52 to 1,411.81.

Spain, Denmark lead in turnover league

But Germany was hit by the dollar effect, writes William Cochrane

Stock market activity soared in Madrid and Copenhagen last month, flopped in Germany on the weaker dollar's effect on economic prospects and corporate profit margins, and flattened out at a high level on investor fears in Sweden and Finland.

Share price volatility, which lifted European stock market turnover by 14 per cent in September, was more scattered. In October, domestic turnover in the 12 European markets followed by NatWest Securities was 5.9 per cent down.

But Spain saw a volume gain of 48.8 per cent on the month after a 13.4 per cent fall in September, and Denmark a leap of 40.2 per cent after September's 7.7 per cent decline. Mr James Cornish, European strategist at NatWest, notes that Spanish share prices fell 3.2 per cent in October as political prospects were darkened by the aftermath of anti-terrorist killings in France and the Basque country in the 1980s.

International concerns were reflected on London's Seaq International screen-based trading system, where turnover rose 65.5 per cent to its highest since November 1993.

Denmark put up its highest domestic volumes since February 1994. However, says Mr Cornish, shares fell only 1.3 per cent in Copenhagen, more or less in line with the percentage point fall in the FT/S&P Europe index, and its Seaq International volume gain was only 17.4 per cent. Much of the extra turnover, he says, stemmed from Tryg, the ambitious insurance group, which bought out the minority shareholders in its Tryg-Baltica subsidiary.

For European share prices overall, the 1 per cent fall in the dollar against the D-Mark last month was balanced, to some extent, by a 15 basis-point drop in US bond yields. But German traders were on their guard. Share prices in Frankfurt fell 2.7 per cent in reaction to the weaker dollar.

In contrast with September, when a similar scenario saw turnover rise 18.6 per cent from an index fall of 2.3 per cent, October saw business fall by 24.8 per cent in the domestic markets, down 16 per cent on the average of the previous three months, while German volumes on Seaq International dropped by 21 per cent on the month – the biggest falls in either category. The implication, says Mr Cornish, was that there was little conviction behind the market fall.

Dutch turnover rose 31.1 per cent, indicating renewed international participation.

But the biggest falls in individual share price indices came in Finland and Sweden, down by 11.8 per cent and 7.0 per cent respectively as Nokia and Ericsson, two of this year's targets for the high-tech fixated US investor, responded to a warning of industry difficulties by Motorola, and as forestry stocks dropped on the turn of the commodity price cycle. Turnover in each case stayed around September's high levels, indicating both the depth of concern and the weight of US investment interest.

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	July 1995	Aug 1995	Sep 1995	Oct 1995	US $bn
Belgium	70.15	70.60	92.22	86.46	2.98
Denmark	22.92	27.30	25.20	35.33	6.46
Finland	14.23	14.60	17.30	17.44	4.11
France	160.37	141.91	184.21	184.37	37.68
Germany	138.80	138.98	164.81	123.96	88.04
Italy	45,841	45,191	48,024	45,561	28.59
Netherlands	37.80	32.68	31.50	41.30	26.14
Norway	30.80	33.41	28.95	25.58	4.11
Spain	1,111.19	998.42	893.38	1,329.54	10.88
Sweden	92.20	123.84	137.20	136.20	20.51
Switzerland	27.08	29.56	36.68	35.57	31.30
UK	51.10	52.95	60.51	60.18	94.99

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 22 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 21 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.39	-0.2	175.10	117.76	135.02	165.46	0.4	3.96	184.73	175.67	118.35	135.22	164.81	191.01	157.95	164.37
Austria (27)	173.63	0.5	164.86	110.88	127.14	127.07	0.8	1.86	172.71	164.24	110.65	126.42	126.44	199.28	167.49	178.75
Belgium (36)	200.35	-0.2	190.25	127.95	146.71	143.11	-0.2	3.66	200.80	190.95	128.65	146.86	143.34	201.12	164.78	169.54
Brazil (28)	132.84	0.9	126.15	84.84	97.28	235.87	1.0	1.78	131.59	125.14	84.28	96.32	233.53	180.75	96.06	171.11
Canada (103)	147.91	0.1	140.45	94.46	108.31	145.01	0.2	2.54	147.18	139.84	94.14	107.72	144.72	150.68	121.81	126.27
Denmark (33)	281.42	0.1	267.24	179.72	206.07	208.96	0.1	1.55	281.11	267.32	180.10	205.78	208.60	295.99	238.51	248.15
Finland (25)	210.45	-2.4	199.85	134.40	154.11	185.96	-2.4	1.72	215.66	205.10	138.18	157.87	190.43	278.11	171.13	188.28
France (100)	181.23	-0.4	172.10	115.74	132.71	138.14	-0.1	3.16	181.19	172.50	116.08	132.68	137.69	191.17	157.79	165.92
Germany (58)	160.19	-0.5	152.12	102.30	117.30	117.30	-0.5	2.05	161.01	153.11	103.16	117.85	117.85	167.74	135.38	141.08
Hong Kong (55)	362.51	0.7	344.25	231.51	265.46	359.97	0.7	4.07	360.15	342.48	230.74	263.62	357.59	389.39	277.40	335.60
Ireland (16)	258.08	-0.8	245.03	165.19	189.41	226.73	-0.6	3.37	260.67	248.07	167.13	190.95	228.67	260.67	195.34	224.72
Italy (58)	70.25	-0.1	66.71	44.87	51.45	63.28	-0.2	1.81	70.53	66.68	45.06	51.48	63.53	82.71	63.46	76.46
Japan (483)	144.76	-0.3	137.46	92.44	106.00	92.44	-0.7	0.82	145.25	138.12	93.06	106.32	93.06	164.82	136.55	153.77
Malaysia (106)	451.49	2.5	428.73	288.33	330.61	441.75	2.5	1.86	440.26	418.89	282.07	322.26	431.11	561.98	396.16	508.18
Mexico (18)	936.81	3.7	889.59	598.27	685.99	7917.50	4.0	1.76	903.53	859.19	578.87	661.24	7616.52	2125.20	647.81	2000.05
Netherland (19)	261.99	0.3	248.79	167.32	191.85	185.68	0.3	3.46	261.28	248.48	167.40	191.25	186.00	263.99	207.60	210.61
New Zealand (14)	78.57	-0.1	74.61	50.18	57.54	69.44	-0.1	4.54	78.66	74.80	50.40	57.58	69.95	85.49	69.56	73.07
Norway (32)	230.12	0.8	218.52	146.96	168.51	194.14	0.6	2.16	228.31	217.11	146.27	167.11	192.93	243.79	192.92	195.15
Singapore (44)	373.67	0.3	355.02	238.76	273.77	243.06	0.2	1.67	372.71	354.43	238.78	272.81	242.61	414.25	313.64	378.25
South Africa (45)	373.75	-0.8	354.91	238.69	273.68	266.01	-0.6	2.96	376.11	357.65	240.95	275.29	266.72	378.86	281.06	338.70
Spain (38)	157.98	2.2	150.02	100.89	115.68	144.45	1.8	3.94	154.59	147.01	99.04	113.15	141.84	160.51	124.10	141.65
Sweden (46)	318.96	0.0	302.91	203.71	233.58	307.01	-0.1	1.95	318.92	303.27	204.33	233.44	307.39	320.43	226.60	239.01
Switzerland (41)	230.19	0.6	218.58	147.01	168.56	168.59	0.7	1.64	228.81	217.59	146.59	167.48	167.42	230.19	158.68	160.51
Thailand (46)	153.93	2.0	146.17	98.30	112.72	150.07	1.9	2.72	150.95	143.54	96.71	110.49	147.23	184.65	130.15	163.27
United Kingdom (206)	228.33	0.9	216.82	145.82	167.20	216.82	0.7	4.01	226.37	215.26	145.03	165.69	215.26	228.67	190.46	198.78
USA (624)	245.26	-0.3	232.90	156.63	179.60	245.26	-0.3	2.41	246.04	233.98	157.63	180.09	246.04	246.04	182.33	184.16
Americas (850)	223.52	-0.2	212.26	142.75	163.68	187.53	-0.2	2.41	224.07	213.09	143.56	164.01	188.29	224.07	170.68	172.15
Europe (737)	188.08	0.4	188.10	126.50	145.05	165.93	0.3	3.05	187.33	187.65	120.43	144.44	165.42	189.02	163.64	168.01
Nordic (136)	262.52	-0.2	249.28	160.43	208.88	235.02	-0.3	1.87	263.22	269.33	181.48	207.31	235.81	295.02	215.79	228.89
Pacific Basin (832)	154.66	-0.1	146.86	98.77	113.25	102.46	-0.4	1.28	154.89	147.29	99.23	113.37	102.88	166.72	141.67	168.41
Euro-Pacific (1569)	172.66	0.1	163.98	110.26	126.43	126.44	-0.1	2.13	172.48	164.01	110.50	126.24	126.50	178.33	154.73	165.19
North America (604)	239.24	-0.3	227.18	152.78	175.19	238.54	-0.3	2.42	239.92	228.15	153.71	175.61	238.20	239.92	178.96	180.60
Europe Ex. UK (531)	177.50	0.1	168.55	113.35	129.97	138.56	0.1	2.51	177.31	168.61	113.60	129.78	138.44	178.46	149.45	160.91
Pacific Ex. Japan (349)	248.65	0.7	237.07	159.43	182.81	220.20	0.9	3.35	247.93	235.67	158.78	181.40	218.26	266.72	211.19	248.63
World Ex. US (1760)	173.69	0.1	164.93	110.92	127.18	130.16	0.0	2.17	173.47	164.96	111.14	126.97	130.18	178.73	155.42	166.98
World Ex. UK (2058)	192.49	-0.1	182.78	122.93	140.95	158.10	-0.2	2.08	192.78	183.32	123.51	141.11	158.46	192.78	163.46	169.27
World Ex. Japan (1781)	223.99	0.0	212.70	143.04	164.02	206.55	0.0	2.73	223.69	212.81	143.35	163.88	206.47	223.99	179.95	183.10
The World Index (2264)	195.62	-0.1	185.76	124.93	143.25	163.22	-0.1	2.27	195.72	186.12	125.39	143.26	163.43	195.72	165.92	171.69

CONSTITUENT CHANGE WITH EFFECT 28/11/95 Addition: [illegible]. Latest prices were unavailable for this edition.

RECRUITMENT

JOBS: Technology and cost savings are driving changes in office employment patterns

Pulling the plugs on the way we work

There was something missing at a conference and exhibition of office furniture in London this week. The desks and cabinets were completely devoid of clutter. Most of the exhibition stands were presenting a picture of paperless Utopia.

Something else was missing, too, among the majority of exhibitors: any obvious appreciation that office work may now be moving out of its traditional environment.

Given that the title of the event was WorkPlace '95, Professor Franklin Becker of Cornell University thought that there had been a missed opportunity. Becker, a psychologist and workspace specialist, who was speaking at the event, said: "All the assumptions around here are that work occurs only in the office and not in other environments such as in supermarkets, on trains and at airports."

It would be unfair to suggest, however, that the exhibitors were not aware of trends towards greater use of home working or working outside the traditional workplace. Colin Watson, marketing director of President, a UK-based and Danish-owned manufacturer of office furniture, quoted figures of 1.2m teleworkers in the UK at present, and rising, according to some estimates, to 2m by the year 2000. "That still leaves between 10m or 11m people still working in offices," he said.

The market for office furniture, therefore, is not going to disappear but it is changing. The biggest driver for change, as is often the case, appears to be cost. Watson says that £1.5bn a year is spent in the UK alone simply moving people and equipment around in offices. This figure – what the manufacturers call "churn" – works out at about £500 per employee. Among companies which have just moved to new offices, he says, the churn tends to be more like £2,000 a person within the first 12 months as people and departments are shuffled around until management believes it has got the arrangement right.

Some of the more forward looking furniture manufacturers and office designers, therefore, are attempting to create furniture that will give companies the flexibility to alter their office interiors without embarking upon costly refitting exercises.

President believes that its Kyo range of mobile office furniture is able to provide the flexibility for change without the upheaval that is usually necessary. Part of the secret is the neatness of the system it has designed to deliver cabling to desk-top terminals and telephones. Its bean-shaped desks are able to congregate around service columns sprouting from the floor like multi-socketed mushrooms.

Some companies are going even further. Morgan Lovell has developed a cordless office using Ericsson telecommunications technology and Hewlett-Packard laptop computers. Again the technology is providing potential cost savings. A false floor, including its accompanying cabling and sockets, can cost up to £80 a square foot.

Philip Ross, Morgan Lovell's marketing director, thinks that cordless technology will not do away with cabling, which will still be needed for large data transfers, lighting and power points for recharging batteries. But it will be possible in cordless offices to arrange cables so that they run down the spine of a building and not under floors.

Such arrangements combined with flexible working patterns are enabling companies to make large savings. Ross said that his company, working with one of the City banks, had found ways of reducing a perceived need for 10,000 sq ft new office space to 7,000 sq ft. "At annual rents of £30 per square foot we are looking at a £900,000 saving over the 10-year lease," he said.

While these technologies are helping to drive changes in working arrangements, it is becoming clear that the economies they can bring are proving powerful additional stimuli.

Companies in revolt

Gary Hamel, The California-based visiting professor at London Business School, has, like many management gurus, thrown himself into the scramble for corporate dominance in emerging industries and markets.

Hamel is among those management theorists who are beginning to cast doubts on the way that much corporate re-engineering has been applied in the past few years. Many employees have viewed it as a new way of creating redundancies, he says, suggesting that some companies have become like catwalk models in fashion shows. They have developed "corporate anorexia" in the belief that this is the way they should look. Much of the re-engineering, says Hamel, has enabled companies merely to catch up instead of putting companies at the forefront of their industries as "architects of industry transformation".

"British companies are supposed to be the most competitive in Europe, but they have high levels of employee anxiety and disenchantment. Is that the price we have to pay?" he asks.

Speaking at Hay Management Consultants' annual conference in Paris recently, he portrayed a world of corporate laggards being overtaken by pioneering enterprises willing to challenge orthodoxies. These challengers, what he calls "rule-breakers", are populated by the likes of Cannon, Wal-Mart, Microsoft, IKEA, Virgin, Body Shop and First Direct.

The question he is finding difficult to answer, however, is how many of today's more traditional companies can do the same. To do so, he argues, the leaders of these companies will need to divest themselves of much of their "intellectual capital"; they will need to tap the imagination of their younger employees who often have the ability, unlike their most senior managers, to "think differently". This different thinking, he says, can also be found at the geographical periphery of an organisation where company rules tend to be less restrictive.

So where do you start a revolution in a company? Will it happen in the boardroom? How many company chiefs are prepared to risk their own jobs or to incorporate young managers into defining strategic direction in order to transform their businesses? This is the institutional difficulty of starting a revolution from the top down.

Hamel is not too optimistic about such a prospect. "In 10 years of visiting the UK, I have never seen the Queen standing in front of Buckingham Palace saying we want a republic. I never will," he says.

His views may be difficult for many company directors to stomach, but they reflect a growing disenchantment among management observers at the human waste in some corporate restructuring programmes.

The gurus may have to shoulder some of the blame because it is often they who influence the latest management thinking.

Hamel's picture of laggards and challengers extends to today's corporate champions. He says he is willing to bet that in 10 years time Microsoft will have handed over its leadership in the software industry. Perhaps it is inevitable that industry leaders must, in time, give way to others.

One of the things that Hamel and his fellow gurus are searching for is a key to sustained success. Even if they find it, they will need to persuade managements of its use. Human nature can prove a formidable obstacle.

Richard Donkin

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General Director

The Board of the Royal Opera House invites applications for the post of General Director, in succession to Jeremy Isaacs who will retire in 1997.

The General Director is the Chief Executive of the House, and is expected to lead, inspire and promote at all times its primary mission: the continued attainment of the highest international standards by the Royal Ballet companies and the Royal Opera.

The Board is looking for a person with the flair, passion and knowledge to run one of the world's great lyric theatres, home of the Royal Opera and the Royal Ballet. The successful candidate must bring proven experience of high calibre management in an organisation of comparable complexity, particularly in times of change.

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Potential candidates are asked to write to:
The Chairman, reference AA, The Royal Opera House, Covent Garden, London, WC2E 9DD for further particulars.
The closing date for applications is 19 January 1996.
Interviews will be held in March.

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Applicants must have at least five years' marketing experience preferably in the financial or business information industries.

If you feel that you have the necessary qualities and drive for this exciting role, please apply, enclosing your CV with a covering letter and details of your current salary to:

Personal Department, Ref: (Marketing), FT Information 13-17 Epworth Street, London, EC2A 4DL

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BUSINESS ANALYST

CITY

£ COMPETITIVE SALARY + BONUS + MORT + BBs

FIRST CLASS ENVIRONMENT

We are a progressive Japanese Bank at the forefront of international commercial banking.

This recently established position within our corporate finance division offers an exciting opportunity.

The postholder will be responsible for identifying potential lending opportunities in a range of areas and for carrying out appropriate financial research and analysis including business reviews and projections as well as country-risk where appropriate.

Applicants should have a relevant professional qualification, be computer literate and preferably be a graduate. Of paramount importance is having had at least three years experience of financial analysis and report writing gained within a structured business environment, not necessarily in banking.

Please send your CV, together with a note of your current salary to:-
Dominic Grealy, Personnel Manager, Sumitomo Trust & Banking Co., Ltd, 155, Bishopsgate, LONDON EC2M 3XU
(No Agencies, No Faxes)

Sumitomo Trust & Banking Co.Ltd.

APPOINTMENTS ADVERTISING

FOREIGN EXCHANGE - RISK MANAGER

LONDON £45-50,000 + substantial benefits package

The Company

- Highly successful multi-billion turnover UK Plc, with an extensive portfolio of premium international consumer brands.
- The Group Treasury Department is highly regarded and has built up a first class reputation in its field. It is responsible for providing treasury support and a FX dealing service to the Group's many operating companies around the world, in addition to raising financing in the external debt markets and managing the group's liquidity, interest rate and foreign exchange risk.

The Role

- To add value by developing strategic FX hedging recommendations and managing the related positions (including the formulation of entry, take profit and stop loss levels) within defined risk parameters.
- Responsible for managing the dealing function and advising subsidiaries on exposures to financial risk.

The Person

- Ambitious graduate, ideally also ACT/MBA qualified.
- Likely age range 28-35.
- Relevant experience gained within a dynamic corporate or financial services environment.
- Strong interpersonal skills and pro-active team player.

Please write enclosing full curriculum vitae quoting ref: 170 to:

Nigel Hopkins FCA, London House,
53-54 Haymarket, London SW1Y 4RP
Tel: 0171 839 4572
Fax: 0171 925 2336

NIGEL HOPKINS & ASSOCIATES
FINANCIAL & TREASURY SELECTION

Europe Based

Competitive Salary + Bonus

One of the premier European investment banks, this organisation has developed an enviable reputation based on financial strength, sound strategic focus and a comprehensive range of banking services.

Within the corporate finance department, demand exists for individuals specialising in structuring and executing investment banking business in Europe. The geographic focus includes both developed and emerging markets with product coverage incorporating M&A, IPO's and privatisations.

The individuals, initially based in continental Europe, will perform an execution role which will involve analysis, financial modelling, structuring and requisite client contact/marketing. The group is organised along industry lines with specialists in certain sectors.

You will have three years plus corporate finance experience from a major merchant/investment bank. Individuals must have hands-on cross-border transaction experience and a quality university degree, MBA or professional qualification. German or English as the mother tongue is a prerequisite with fluency in the other.

This is an outstanding opportunity to join one of the world's leading investment banks. Career development prospects within this growing organisation are excellent. The remuneration package includes a competitive salary with full banking benefits.

Interested applicants please send a full résumé to Anthony Cook, Ref. 1987/02 at Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN, fax 0171 240 1052 or, if you prefer, telephone 0171 240 1040.

Morgan & Banks
INTERNATIONAL

EUROPEAN TREASURY OPPORTUNITIES

£Excellent

Exciting opportunity to play a key role in the development of a new treasury function within this major US multinational. The company is a global leader in manufacturing and marketing self adhesive materials and office products and has 30 well established operating businesses across Europe with a combined turnover of c.$1bn. Continuing, rapid growth has given rise to a need to recruit two talented treasury professionals for this highly visible function.

TREASURY OPERATIONS MANAGER (ref: 5207/D)

The Position

- Manage day-to-day operational activities of European Treasury Centre.
- Develop and maintain fx and currency management systems.
- Liaise closely with operating units in respect of liquidity and debt management.
- Lead new initiatives in electronic payment systems and information exchange.

The Requirements

- 5 years' plus significant experience of large, systems based international treasury operations.
- In-depth knowledge of currency and fx management techniques.
- High degree of systems literacy combined with the ability to quickly grasp the treasury needs of the business.

CASH MANAGER (ref: 5207/E)

The Position

- Manage numerous, complex multi-currency bank accounts and relationships.
- Supply the currency requirements of operating units and manage their transactional currency exposures.
- Cover for the Treasury Operations Manager when required.
- Act as Dealer to execute key transactions in the fx and money markets.

The Requirements

- Substantial experience of cash management gained within either a large corporate or banking environment.
- Good knowledge of fx and money markets.
- Ability to develop and manage electronic banking systems.

To be successful in both these roles you will be energetic, fast paced and flexible and be able to make a significant contribution to this function in a short space of time. Fluency in a foreign language, especially French, would be highly desirable.

If you are interested in one of these positions, please send your CV with current salary details to: Ken Brotherston, **K/F Associates**, 252 Regent Street, London W1R 6HL, ***quoting the appropriate reference number.***

K/F ASSOCIATES
KORN/FERRY CARRÉ/ORBAN INTERNATIONAL

STRUCTURED SOLUTIONS ANALYST

City Based

HSBC Asset Management is the global investment management business of the HSBC Group, one of the world's largest financial services organisations. With global funds under management exceeding US$30 billion, we offer a full spectrum of investment products for institutional and retail clients.

We are now expanding our Tactical Investment Unit and wish to recruit a Structured Solutions Analyst. The primary responsibilities will be to assist in the control of our asset allocation using futures and options initiatives and also in supporting the product structuring activity for our UK and European retail business.

Key features of this task will be to monitor and support the approval process for asset allocation using derivatives; execute transactions for European based institutional accounts; and ensure compliance with limits and reporting requirements.

You will possess a PhD level qualification in engineering, physics or a similar discipline, coupled with a proven track record of success in risk management using derivatives. First class verbal and written communications skills will be coupled with a strong desire to move into a front end role in what is a highly competitive financial business environment.

If you meet, and indeed exceed our extremely high expectations, we will offer you the sort of rewards package you would expect from a world leader in financial services.

Please write enclosing a comprehensive C.V. and details of your current remuneration package to Michelle Goulet, HSBC Asset Management Limited, 6 Bevis Marks, London EC3A 7QP.

HSBC Asset Management Limited
Member HSBC *Group*

EMERGING MARKETS SEARCH & SELECTION

Our client, a London-based international securities division of a leading Latin American banking group with responsibility for new issuance and sales of Emerging Market instruments, wishes to make the following appointments.

FIXED INCOME ORIGINATION

The individual will be able to demonstrate a track record in fixed income origination and execution plus the ability to generate and structure Eurobond issues on behalf of corporate clients. Previous exposure to the highest echelons of top tier Brazilian companies and to the Eurobond markets is essential. The role will involve working closely with both the traders in the London-based operation and the Corporate Finance teams in the parent company. Fluency in both (Brazilian) Portuguese and English is essential.

FIXED INCOME SALES

The objective will be to leverage the undoubted strength of the parent organisation in Brazil and further enhance its international distribution of fixed income products. This role will be of particular interest to applicants with a track record of sales success and a mature institutional client base with potential for further growth. An indepth exposure to Latin American markets is a definite advantage.

The successful candidates will work in a collegiate, team driven, consensual environment, but will need to demonstrate the dedication and ambition to succeed in what is an intensely competitive global environment. The attractive compensation packages will be geared to results.

In the first instance please send your C.V. in complete confidence to: Willem Dudok de Wit
Emerging Markets Search & Selection, 12 Masons Avenue, London EC2V 5BT
Telephone: 0171 600 4744 Facsimile: 0171 600 4717

Senior Funds Administrators

J.P.Morgan Investment Management Inc. (JPMIM) in London is the international investment arm of J.P.Morgan & Co. Incorporated. With $157 billion under management, it is one of the premier investment management houses in the world. These assets are managed in a wide range of funds, domiciled throughout Europe, which invest in various financial instruments including US and international equities, bonds, money market and derivative instruments.

JPMIM is looking to expand its Funds Administration team in London by recruiting three Senior Funds Administrators. These appointments will play an important role providing essential support from a financial accounting, tax, regulatory and fiduciary perspective.

Fund administrators will be responsible for the following:

- Overseeing of daily fund operations, primarily externally produced Net Asset Value calculations
- Development and maintenance of control procedures
- Monitoring of accounting and tax policies relating to new and existing funds
- Drafting of financial and regulatory statements
- Preparation of fund expense budgets, financial analysis and MIS reporting
- Planning fund dividend distribution

Candidates should have three years funds administration experience with a 'big 6' accountancy firm, a unit or master trust accounting service provider, or an investment management company.

Educated preferably to degree level or with an equivalent accountancy qualification, candidates should be self-motivated and possess excellent interpersonal skills. PC skills are important, with the ability to speak European languages other than English an advantage.

These positions offer a generous salary plus benefits package and excellent career prospects within one of the leading international banks.

J.P.Morgan Investment Management Inc. is an equal opportunity employer.

Interested applicants should write with their CV, in confidence, quoting reference no. P30103 to Helen Highet at Jonathan Wren & Co. Ltd., No.1 New Street, London EC2M 4TP. Tel. 0171-623-1266 Fax. 0171-626-5257

JPMorgan

CHIEF EXECUTIVE

CWS LIMITED

David Skinner, Chief Executive of the Co-operative Wholesale Society Limited (CWS), is due to retire in autumn 1996. The CWS Board is in the process of identifying his successor.

CWS is the main supplier of goods and services, including 4,500 Co-op Brand products, to co-operative retail societies.

CWS is the largest co-operative retailer in Europe and operates almost 800 shops, including superstores, department stores, supermarkets and convenience stores, in a number of regions throughout the UK. CWS also operates funeral services, travel agencies, optical practices, garages and milk rounds. Total annual sales from these retail businesses exceeds £2 billion and accounts for around 30 per cent of all co-operative retail trade.

As well as substantial Milk processing, Property and Farming interests, the CWS owns all the ordinary shares in The Co-operative Bank plc, and the Co-operative Insurance Society Ltd.

Total sales exceeded £3.1 billion in 1994 and around 39,000 people are employed within the CWS and its group subsidiaries.

Candidates will need to demonstrate a record of sustained achievement in their careers to date; the ability to lead an organisation of the size and diversity of the CWS; and the skills necessary to guide it successfully in its important relationships with other co-operative societies.

Those seriously interested who believe they have the qualities required should please write - in complete confidence - with a CV to: G. L. Fyfe, Chairman, Co-operative Wholesale Society Limited, c/o Hay Management Consultants, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

co op

European Investment Bank - PARIS

SENIOR BOND SALES

Paris based

Our Client :

- *Well established European Investment bank active in government bonds primary dealing*

The Position :

- *Senior government bonds sales to European investors and Central Banks*
- *Manage a 5 salesmen team and lead sales effort*
- *Develop a business and sales plan*

The Person :

- *University graduate, aged 30-35*
- *Experienced bond salesman with a well-developed clientele base either in the UK or in Germany or with Central Banks*
- *Fluent in English, French and German*
- *Entrepreneurial behaviour and proven management skills*

The highly competitive remuneration package will be tailored to suit the right candidate.

Please reply with full details to Danielle ELOUEIS.

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For Senior Management Appointments

For advertising information call:

Toby Finden-Crofts +44 0171 873 4027

هكذا من الأصل

This is a superb opportunity to join one of the premier venture capital funds management organisations which is well known for leading large transactions including management buy-outs and buy-ins, funds for expansion and refinancings. It has an international network and substantial investment and underwriting resource which enable it to be a leading participator and provider of private equity finance in its chosen markets.

Based in London, the positions involve working closely with other team members analysing, executing and monitoring substantial UK equity investment opportunities of unquoted companies across a variety of sectors. There is a requirement for two mature individuals with strong interpersonal skills who have the following background:

At least a 2:1 degree and an MBA with up to three years in a leading international firm of strategic consultants and/or M&A experience in a leading investment/merchant bank. Experience of advising and influencing the strategies of a wide range of international businesses and institutions, together with a highly numerate and financial bias is essential.

At least a 2:1 degree and an ACA with up to two years post qualification experience in the corporate finance or insolvency department of a "Big Six" firm. Specific experience of MBOs and MBIs is required as is a basic knowledge of leveraged structures and company valuation models.

A career in venture capital is stimulating, demanding and for outstanding candidates, provides rapid career progression. The remuneration package will be commensurate with experience, background and includes all the benefits associated with a leading financial services organisation.

For further information in the strictest confidence, contact Raj Munde on 0171 240 1040. Alternatively, send your résumé quoting reference number 1986/09 to Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax No: 0171 240 1052.

Morgan & Banks
INTERNATIONAL

Investment Banking

Media & Telecommunications Executive/Manager

London based

NatWest Markets is the worldwide corporate and investment banking arm of the NatWest Group and a major player in the global financial markets. Our products and services cover all aspects of trading, corporate and investment banking, asset management and specialist advice.

The Investment Banking Division is responsible for the primary marketing of the Group's major client relationships worldwide. Within this Division is a small team of specialists responsible for the marketing to clients in the Media and Telecommunications industry. Concentrating on deal origination and execution, the team of nine people, using their extensive specialist knowledge, seek to spot and create attractive opportunities to do business.

Our existing client base continues to expand globally, creating an opportunity to expand the team.

The closely knit team are now looking to recruit an Executive/Manager to help with this expansion and are seeking candidates with at least five years' experience in the telecomms market, some of which should have been with a US company in the sector. Previous experience in the financial arena undertaking privatisation and strategic shareholder work would also be beneficial.

The ideal candidate is likely to be a graduate with an advanced degree in an appropriate business-related discipline. They should be highly quantitative, PC literate, including sophisticated modelling experience, and have a rigorous approach to their analysis in addition to being able to initiate the best business opportunities from a wide client base. Knowledge of a broad range of investment banking products would also be an advantage, but not essential. Your internal networking ability and talent for selling ideas will be crucial in delivering the solutions to your client's needs.

If you are a quick learner, able to establish a rapport with clients and feel you could harness the challenge of joining a team during a period of expansion, please write with your CV, to: Miss Freddy Balgarnie, c/o Response Handling Service, Ref: 1195, Associates in Advertising, 5 St John's Lane, London EC1M 4BH. Closing date for applications. 20th December, 1995.

NatWest Markets is an equal opportunities employer.

NWM

NATWEST MARKETS

Corporate & Investment Banking

MNB

Senior Marketing Officer to Russian Banks

Competitive Salary & Full Banking Benefits

Moscow Narodny is a Russian owned British Bank based in the City of London for over 75 years.

We are now expanding our operations to take advantage of new business opportunities.

We are looking for a correspondent banker to travel extensively to Russia and the CIS to build and consolidate relationships with existing and emerging banks in these countries.

Successful candidates will have a minimum of eight years banking experience including current experience in marketing to Russia and the former Republics.

There is a considerable opportunity for a self motivated individual to make a significant contribution as part of a growing team.

Fluency in the Russian language is essential.

If you feel that you have the necessary qualifications, please write, enclosing a full C.V. and outlining present salary, to John Glover, Assistant General Manager - Human Resources, Moscow Narodny Bank Limited, 81 King William Street, London EC4P 4JS.

Moscow Narodny Bank Limited

THE EUROPEAN COMMISSION

PRINCIPAL ADMINISTRATORS

Competitions COM/A/955, 956 and 957 (Official Journals C 258 A of 3.10.95 and C 259 A of 4.10.95)

The closing date of these competitions is prolonged until **8 December 1995.**

DIRECTOR OF CORPORATE COMMUNICATIONS/PR.

German, is looking for new challenges as head of communications/PR in a forward-looking, internationally operating company. Currently Director of Corporate Communications/PR in a multi-national conglomerate headquartered in Germany. Mid-thirties, married. Fluent English; Spanish; close contacts in leading German and international media and political circles. Extensive experience in national and international image strategies.

Please write to Box A5805, Financial Times, One Southwark Bridge, London SE1 9HL

INSTITUTIONAL EQUITY SALES BROKER/PRINCIPAL

Parisian boutique investment firm seeks individual/active book for American secondary offerings in Europe; aggressive sales team; excellent opportunity, progressive environment; English mother tongue; second language/knowledge of interactive media/online services sector suggested.

Fax: (33-1) 42-71-74-60

Schroders

Emerging Markets Economist/Fund Manager

Schroder Investment Management Limited is one of the UK's most successful investment management groups with total funds under management exceeding £50 billion. Schroder Capital Management International (SCMI) is the subsidiary responsible for managing US institutional funds and is one of the leading fund management firms in this market, with over £9 billion under management.

Due to its success in emerging markets, SCMI is seeking an economist to provide economic research on the emerging markets and to run country valuation models driven by economic inputs. The successful candidate will have an active involvement in meeting clients to review portfolios, in addition to making business presentations to prospective and existing clients. This position provides an excellent opportunity for a qualified economist to now combine theoretical economic research with a role in fund management in the emerging markets.

Prospective candidates are likely to be in their thirties and will have a good Economics degree, a least five years' relevant experience in the financial markets and possess a sound knowledge of economic factors in the emerging markets. Strong presentation skills are essential, as is the ability to work as part of a dynamic team. Extensive travel, mainly to the USA will be an integral feature of this role.

The compensation package reflects the quality of candidate required and includes a competitive salary, plus full banking benefits. Career prospects in the Schroder Group are excellent.

Application in writing, enclosing a full curriculum vitae, should be sent to: Helen Challis, Personnel Officer, Schroder Investment Management Limited, 120 Cheapside, London EC2V 6DS.

REPO/MONEY MARKET TRADER

Based London

£ excellent + bonus + benefits

Salomon Brothers, one of the world's leading international investment businesses, wishes to recruit a Repo/Money Market Trader to join its existing team.

Responsibilities will include managing continental collateral books, developing customer relationships and providing back-up for other collateral trading activities.

Educated to degree level, you must be able to show well-developed interpersonal and analytical skills. In addition, you must be fluent in at least one European language other than English - ideally Italian. Relevant experience is necessary.

To apply, please send a full cv and covering letter, indicating your suitability, to Sara Callister Radcliffe, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

Salomon Brothers

Trade Finance

Portugese/Spanish Speaking £30-45k AAE

We are a private commercial bank with a well established international branch network covering Latin, North America & Europe.

We are seeking to appoint a manager to service an existing portfolio & to develop new business with European multinationals involved in Latin American trade.

The successful candidate will have a minimum of 6 years experience in marketing bank trade products and fluency in one or both of the above languages, possibly as a native speaker, is essential.

Please apply to our recruitment advisors at Finsbury Consulting Ltd, 16 City Road, London EC1Y 2AA. Tel: 0171-628 9421 Fax: 0171-256 9279.

FINSBURY CONSULTING LIMITED

HENRY ANSBACHER

South African Fixed Income Trader ***City***

An excellent opportunity to join the Treasury Division of a London-based Merchant Bank

The Company

Henry Ansbacher & Co. Limited is a well established London-based merchant bank providing services in corporate finance, banking and treasury as well as trading in emerging market debt instruments and securities. It is part of the First National Bank of Southern Africa Group, one of the largest commercial banking groups in Southern Africa.

The Position

A high calibre trader is sought to join the Bank's Treasury Division in London. This position will primarily involve trading in South African Fixed Income products and related instruments. The successful applicant will contribute to the development and implementation of dealing strategies and in the identification of profitable products and market niches. The role will also involve liaison with the parent's Treasury Division in Johannesburg.

Qualifications

Requirements for this post include a two- to three- year track record of profitable trading in South African Fixed Income products, a minimum of five years' experience in treasury and capital markets as well as an established market presence and current SFA registration. A detailed knowledge of South African exchange control regulations is important.

An attractive salary and banking benefits are on offer. Interested parties should apply in writing, enclosing a curriculum vitae, to:

Marc Hoodless
Personnel Manager
Henry Ansbacher & Co. Limited
One Mitre Square
London EC3A 5AN
Telephone: 0171 283 2500
Facsimile: 0171 929 5315

A member of the First National Bank of Southern Africa Group

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Regulated by The Securities and Futures Authority

SENIOR CREDIT ANALYST - BOND MARKETS TO £70,000

An opportunity exists for an experienced credit analyst to work within the fixed income research department of a major investment bank. This demanding position will require you to provide sales and trading staff with on the spot advice on the credit issues affecting bond markets, as well as the provision of comprehensive analyses of major corporates and financial institutions.

The position will suit those analysts that want a more rigorous test of their credit expertise than is common in most credit research departments - bond markets can deliver swift judgement on the accuracy of your recommendations.

Having developed your credit skills over a minimum of three years with a major bank or rating agency, you will be able to demonstrate confidence and decisiveness when making your assessments. You should also be able to present your ideas in a concise and persuasive manner. A knowledge of fixed income markets would be useful, but the most essential criterion is that you possess the mental rigour to succeed in this high pressure environment.

Call Tony Sheppeard on 0171 600 2862

AUSTEN SMYTHE SEARCH and SELECTION

127 Cheapside, London EC2V 6DH
Tel: 0171 600 2862 Fax: 0171 726 4290

BP

RISK MANAGEMENT EXECUTIVE

EXCELLENT PACKAGE: LONDON

BP Finance, the entity responsible for the financial management of the BP Group, has a vacancy in its Risk Management Team.

The Team provides financial risk management support to the BP Group and its business activities, and combines an analytical function with a detailed knowledge of the financial markets and their products. The position offers the opportunity for the successful candidate to participate in the risk management of a diverse portfolio of exposures in both the mature and developing/emerging markets.

DUTIES

The breadth of duties will depend on the nature and scope of experience of the appointee, but he or she would be expected to work as part of a team on the following:

- Analysis of a variety of financial-based opportunities e.g. debt management and foreign exchange exposure management, from both a risk and value perspective.
- Investigation of emerging financial markets, and their impact on the expansion of BP's business in those countries.
- Evaluation of new trading instruments, and their pricing/risk analysis.

CANDIDATE

- Two to five years' experience in the risk management function of a bank or significant multi-national corporate.
- Excellent degree in either a strongly numerate discipline or business finance.
- Specific knowledge of the working of the financial markets would be a distinct advantage.
- A proactive approach and excellent communication skills are essential.

PACKAGE

- We offer an attractive and competitive package, including performance-related bonus and non-contributory pension plans.

Please address your application in writing, enclosing a detailed C.V. to:

Steve Powell,
Human Resources Manager,
BP Finance,
The British Petroleum Company p.l.c.,
Britannic House, 1, Finsbury Circus,
London EC2M 7BA

BP is an Equal Opportunity Employer.

BUSINESS DEVELOPMENT MANAGER

We are a business research house specialising in acquisition research and commercial due diligence. Our clients are multinationals, banks and venture capitalists - all at Director level. Your main task will be to build our client base, involving regular contact with existing and potential clients. You will be self motivated, persuasive, and analytical. Early success offers superb prospects.

Please send your CV to:

The Managing Director, Corporate Information Ltd., Swan Centre, Fishers Lane, London W4 1RX

FT FINANCIAL TIMES Les Echos *Le Quotidien de l'Economie*

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to target the French business world.

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APPOINTMENTS WANTED

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I am willing to relocate
FAX: USA (908) 769-1551

ACCOUNTANCY APPOINTMENTS

هكذا من الأصل

Six Figure Package *Major French Multinational* **London**

Finance Director

Continued growth of the strategically important UK subsidiaries of one of Europe's largest groups calls for the appointment of a high calibre finance professional to ensure the finance function supports the needs of a diverse, growing business. Exceptional individual with strong commercial awareness sought to work closely with the Chief Executive in the development of the group. Influential role for a fluent french-speaker at the heart of this dynamic company.

THE ROLE

- Reporting to the Chief Executive with line responsibility for one of the larger divisions within the UK subsidiary.
- Establishing a UK centre of expertise across tax, treasury, insurance, project financing and control, identifying cost savings and raising standards in corporate financial management.
- Key member of the UK support management team, providing financial input to major investment projects. Working closely with Finance function in Paris, in establishing best practice as part of increased internationalisation of the group.

THE QUALIFICATIONS

- Graduate, UK Chartered Accountant with first-class professional training followed by progressive track record within a major multinational or banking environment. Previous French company experience and fluency in French essential.
- Broad range of functional experience including financial and management accounting, tax, treasury and M&A. Asset financing experience an advantage.
- Stature and presence to engender credibility with senior management both in UK and Paris. Strong technical background in UK accounting, intellectually rigorous with highest levels of professional and personal integrity.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. XCE0331161,
16 Connaught Place,
London W2 2ED

FINANCIAL PLANNING MANAGER

STRATEGIC/COMMERCIAL ROLE WITH FINANCE DIRECTOR POTENTIAL

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- Market leading subsidiary of North American multinational, operating within the business information sector.
- Strong international focus with an impressive record of revenue and profits growth, well placed to take advantage of business development opportunities within this dynamic sector.
- High profile wide ranging role reporting to the Group Finance Director and working closely with the Board. Overall responsibility for ensuring a more strategic approach to the development of the business.
- Will include involvement in long range planning: market and competitor analysis; investment and acquisition appraisal; and budgeting.
- Candidates, probably in their thirties, will be qualified accountants with exposure to sound financial management practice, ideally gained within a blue chip company that operates internationally.
- In addition to a strong intellect and analytical skills, candidates must be able to display a high level of commercial acumen, drive and ambition. We are looking for individuals with the ability to progress to a subsidiary Finance Director role within a 2-3 year timeframe.

Please apply in writing quoting reference 1048
with full career and salary details to:
Susan Ryder
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043

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Thames Valley

FAST TRACK INTERNATIONAL ROLE

As a global leader in the pharmaceutical industry, this world-wide organisation continues to enjoy substantial growth and increased market share through innovative product development, together with an unrivalled excellence in research.

The company's ongoing success will largely depend on its ability to focus its research and resources towards the achievement of specific medical and commercial goals. A critical factor in attaining these goals will be the capability of the international research and development division to forge successful research alliances with third parties, whilst nurturing and optimising in-house research programmes.

Following the restructuring of the finance department, a key position has been created within the International Research and Development group.

Primary elements are as follows:

- Negotiating and identifying the most appropriate financial structure of new alliances.
- Appraisal of existing alliances to ensure continued commercial viability.
- Prioritising claims on resources across all locations where research is undertaken.
- Provision of financial information to Research Directors and line management.

This is a truly international role involving a substantial degree of travel and will offer the opportunity to develop both financial management and commercial skills.

The successful candidate is likely to be a qualified Accountant or MBA with an impressive record to date. Aged between 28-35, you must be able to demonstrate a record of achievement within a leading management consultancy or a large practice firm, together with considerable success in a blue-chip environment.

As a key player, the ability to influence and deal at all levels and functions is a prerequisite.

Please write enclosing full CV, quoting ref. AC 1209 to Alistair Cook at Robert Half, Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1EH. Telephone 01753 857777, or fax your details on 01753 841676.

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Robson Rhodes stand apart from other accountancy practices. As a medium sized firm, we are a credible alternative to the Big Six. This means we get more than our fair share of newsworthy cases without being bound by the hierarchy and tradition of other organisations.

Within Corporate Recovery, our work has been primarily insolvency based, but we take a proactive approach to the market and are increasingly involved in pre-lending and business reviews.

As such, we are always looking for good people to help strengthen our team. We currently have opportunities at both supervisory and management levels for those with previous insolvency experience.

You must be a qualified accountant, ideally with at least 18 months' experience handling receiverships, liquidations and bankruptcy. You must also be studying for, or JIEB qualified. Equally important are your interpersonal skills which must be supported by excellent written and oral communication ability.

In return, we offer a challenging and varied workload plus the opportunity to experience the full range of insolvency procedures. Working with key industry figures it is likely you will enjoy a steep learning curve and excellent career potential. Salary levels are flexible according to experience.

To apply, please send your full career and salary details to, Nigel Ruddock, Partner, Robson Rhodes, 186 City Road, London EC1V 2NU.

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There are over 120 people in Finance at our European head office in Theale, near Reading, and the function enjoys a high profile within the organisation.

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Interested applicants should write, quoting reference no. 25459 and enclosing a curriculum vitae together with current salary details to: Jon Sanders, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berkshire SL4 1DS. Alternatively, telephone him on 01753 830881.

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